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Missouri Real Estate Malpractice Insurance Report 1998



Missouri Department of Insurance
Statistics Section

**MISSOURI
REAL ESTATE
MALPRACTICE
INSURANCE
REPORT
1998**

**Missouri Department of Insurance
Statistics Section
September 1999**

Other Publications Available

The Missouri Department of Insurance publishes the following statistical reports. These reports are available by sending a written request along with the payment of \$35 to the Missouri Department of Insurance, P.O. Box 690, Jefferson City, MO 65102-0690.

Missouri Department of Insurance Annual Report
Missouri Medical Malpractice (Closed Claim) Report
Missouri Legal Malpractice (Closed Claim) Report
Missouri Market Share Report
Missouri Products Liability (Closed Claim) Report
Missouri Health Maintenance Organization Report
Missouri Complaint Index Report
Missouri Life, Accident & Health Supplement Report
Missouri Property & Casualty Supplement Report
Missouri Mortgage Guaranty Report
Missouri Uninsured Auto Report

Databases Available

Medicare Supplement Experience Data
Missouri Zip Code Insurance Data for Homeowners/Dwelling Fire,
Farmowners (dwelling only), Mobile Home, Earthquake and Private Passenger Automobile

Some data is available to the public for a fee by special request only. For additional information, contact the Statistics Section at 573/751-4126.

Real Estate Malpractice Insurance Report

Executive Summary

This report is a summary of Missouri real estate malpractice data for the years 1989 to 1998. The charts, graphs and tables, limited to closed claim information, were constructed from data collected by the Missouri Department of Insurance as required by Section 383.060 RSMo. The premium and loss data, obtained from the Missouri Page 15 Supplement, to the companies' annual statements is presented in the final section.

The loss ratio for real estate malpractice in Missouri during 1998 was 26 percent, which is a significant decline from 62 percent in 1997. Thirty-nine claims were closed in 1998, compared to a high of 82 in 1991. Only 16 claims (41 percent) were paid with an average paid amount of \$8,960 in contrast to the record \$15,962 in 1993.

From 1989 to 1998, 528 real estate malpractice claims were closed in Missouri: 172 (33 percent) with payment, and 356 (67 percent) without payment.

In 1998 the average loss adjustment expense for all claims closed with payment was \$11,045 while the expenses for all claims closed without payment averaged only \$7,683.

In Section II, indemnities paid on closed claims are shown by various claim characteristics. The number of closed claims, average paid claim and total amount paid are included in each of these six categories:

- Area of real estate in which the claims were filed.
- Major activity in which the agent was engaged at the time the alleged error or omission occurred.
- Alleged error or omission which was the most significant reason for making the claim.
- The legal disposition of the claim at the closing date.

- The number of years the insured had been in practice at the time of the alleged error or omission.
- The relationship of the insured to the claimant.

Eight companies reported writing real estate malpractice insurance business in Missouri during 1998, compared to six companies reporting premium written in 1997. The three top writers of real estate malpractice insurance in Missouri maintain 90 percent of the market: United States Fidelity & Guaranty Company with 55 percent, Continental Casualty Company with 31 percent and Employers Reinsurance Corporation with 5 percent.

This report was compiled using information submitted by the insurance companies. As a result, the accuracy of this report is dependent upon the accuracy of each company's data. Copies of this report will be made available in braille, large print or on audio cassette upon request. Any questions regarding this report should be addressed to the Statistics Section, Missouri Department of Insurance, P.O. Box 690, Jefferson City, Missouri 65102-0690.

TABLE OF CONTENTS

SECTION	DESCRIPTION	PAGE
I	TEN YEAR SUMMARY	1
II	INDEMNITY SUMMARY	
	Area of Real Estate - Ten Year and 1998 Summary	7
	Area of Real Estate Trends of 1998	11
	Major Activity - Ten Year and 1998 Summary	15
	Major Activity Trends of 1998	19
	Alleged Error or Omission - Ten Year and 1998 Summary	25
	Alleged Error or Omission Trends of 1998	29
	Claim Disposition - Ten Year and 1998 Summary	35
	Claim Disposition Trends of 1998	39
	Years Admitted to Practice - Ten Year and 1998 Summary	47
	Years Admitted to Practice Trends of 1998	51
	Insured/Claimant Relationship - Ten Year and 1998 Summary	57
	Insured/Claimant Relationship Trends of 1998	61
III	PREMIUM AND LOSS DATA	65
IV	DEFINITION OF TERMS	71

**TEN YEAR
SUMMARY
(1989-1998)**

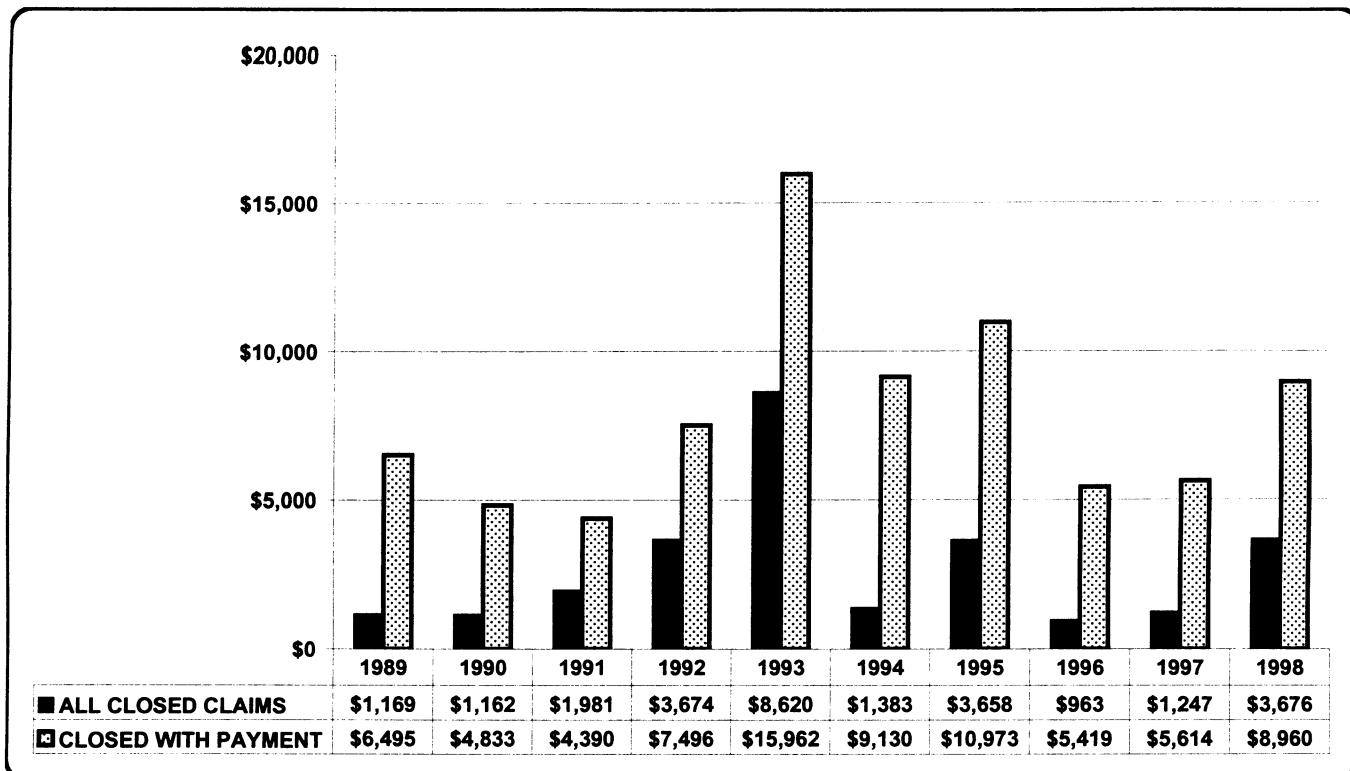
REAL ESTATE MALPRACTICE EXPERIENCE
TEN YEAR SUMMARY

1989 - 1998

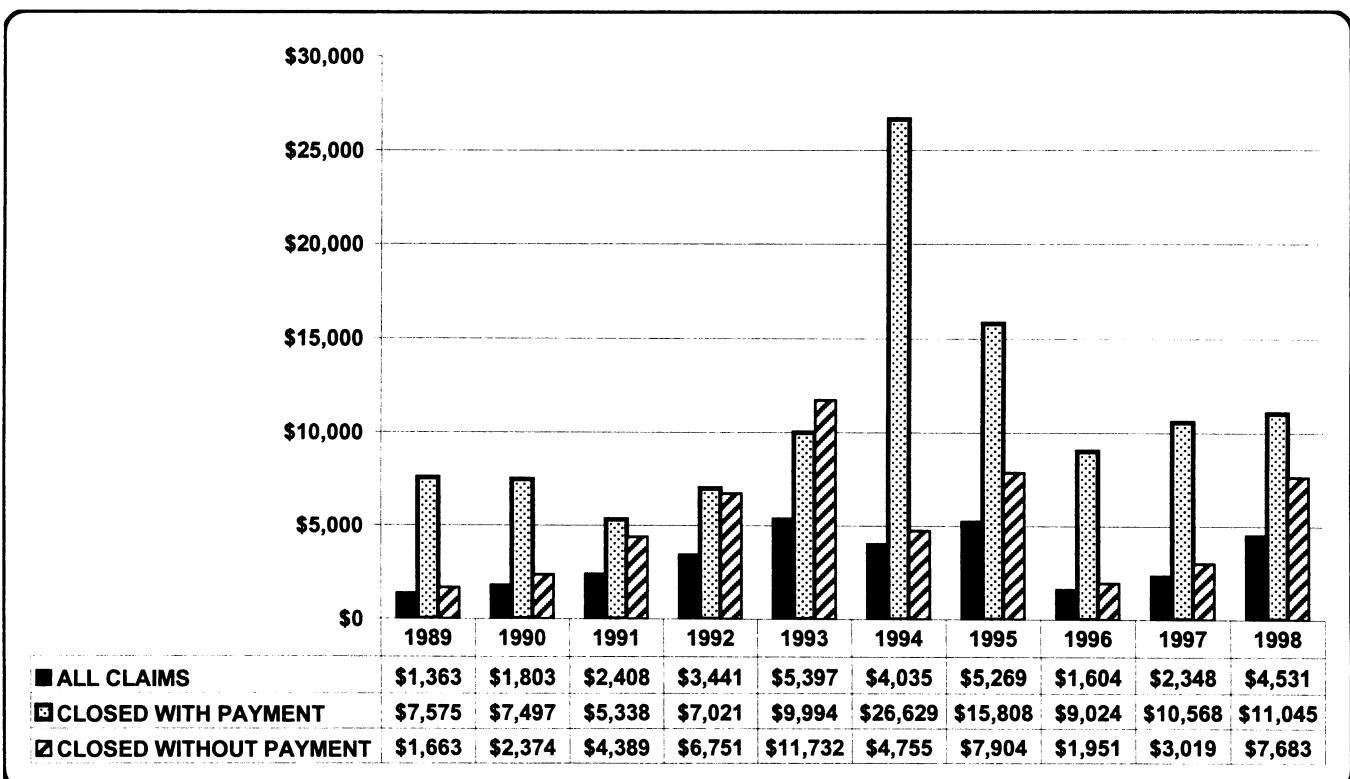
CLOSED CLAIMS	NUMBER OF CLAIMS	PERCENT OF CLAIMS	TOTAL INDEMNITY PAID	AVERAGE INDEMNITY PAID	TOTAL LOSS EXPENSES PAID	AVERAGE LOSS EXPENSE PAID
All Closed Claims	528	100.0%	\$1,373,696	\$2,602	\$1,573,168	\$2,979
Closed with Payment	172	32.6%	\$1,373,696	\$7,987	\$1,020,806	\$5,935
Closed without Payment	356	67.4%	\$0	\$0	\$552,362	\$1,552

MISSOURI REAL ESTATE MALPRACTICE INSURANCE

Average Paid Claim

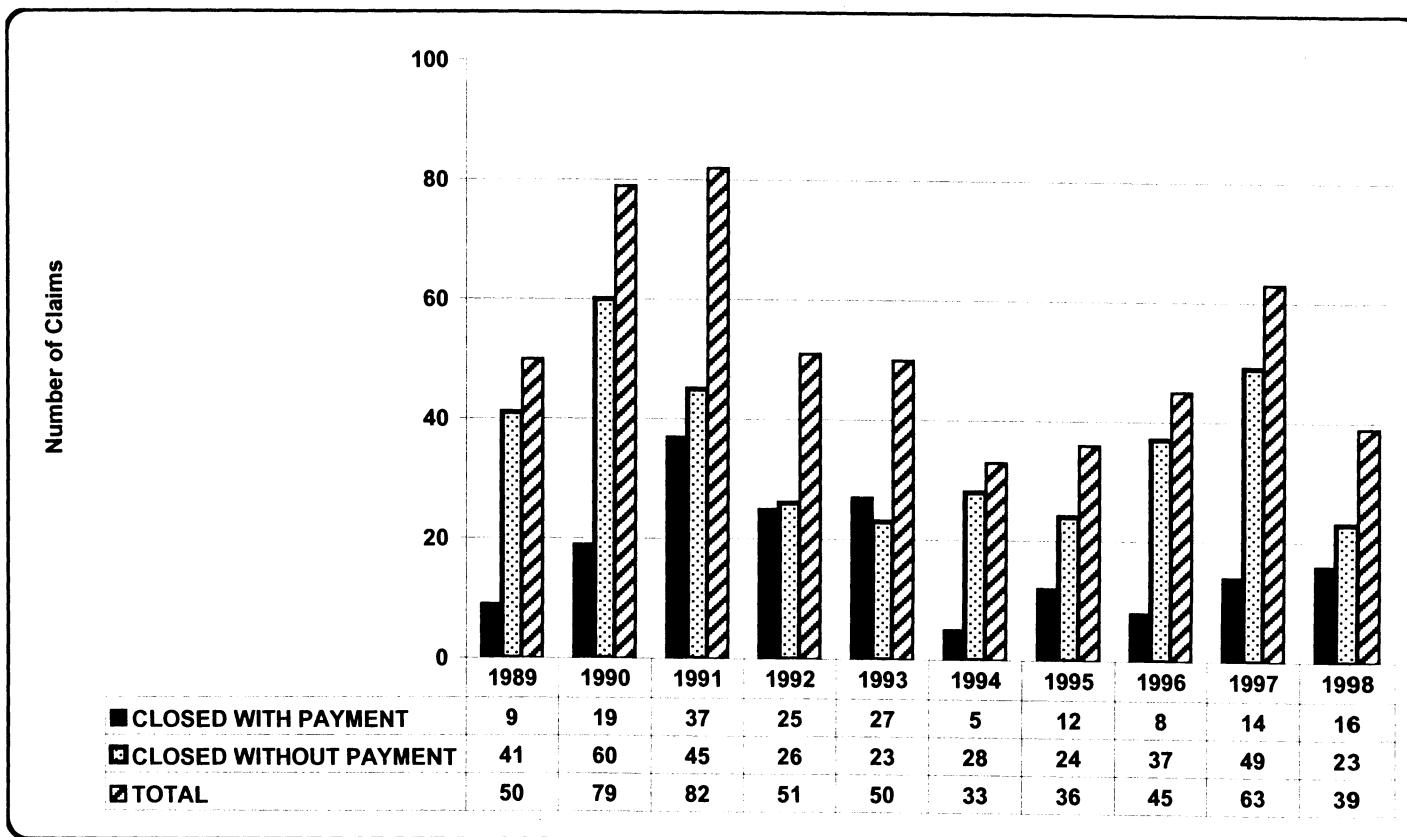


Average Paid Loss Adjustment Expense



MISSOURI REAL ESTATE MALPRACTICE INSURANCE

Claim Count



**TEN YEAR SUMMARY
&
1998 SUMMARY
BY
AREA OF REAL ESTATE**

REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

FOR YEARS 1989 – 1998

AREA OF REAL ESTATE	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
AS AGENT TO PROCURE PURCHASE OF PROPERTY	316	97	56.40%	\$10,051	\$974,987	70.98%	\$3,475
NOT SPECIFIED	130	49	28.49%	\$4,951	\$242,577	17.66%	\$1,876
AS AGENT TO PROCURE PROPERTY TO PURCHASE	80	26	15.12%	\$6,005	\$156,132	11.37%	\$2,787
OTHER	2	0	0.00%	N/A	\$0	0.00%	\$4,091
TOTAL	528	172	100.00%	\$7,987	\$1,373,696	100.00%	\$2,979

REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

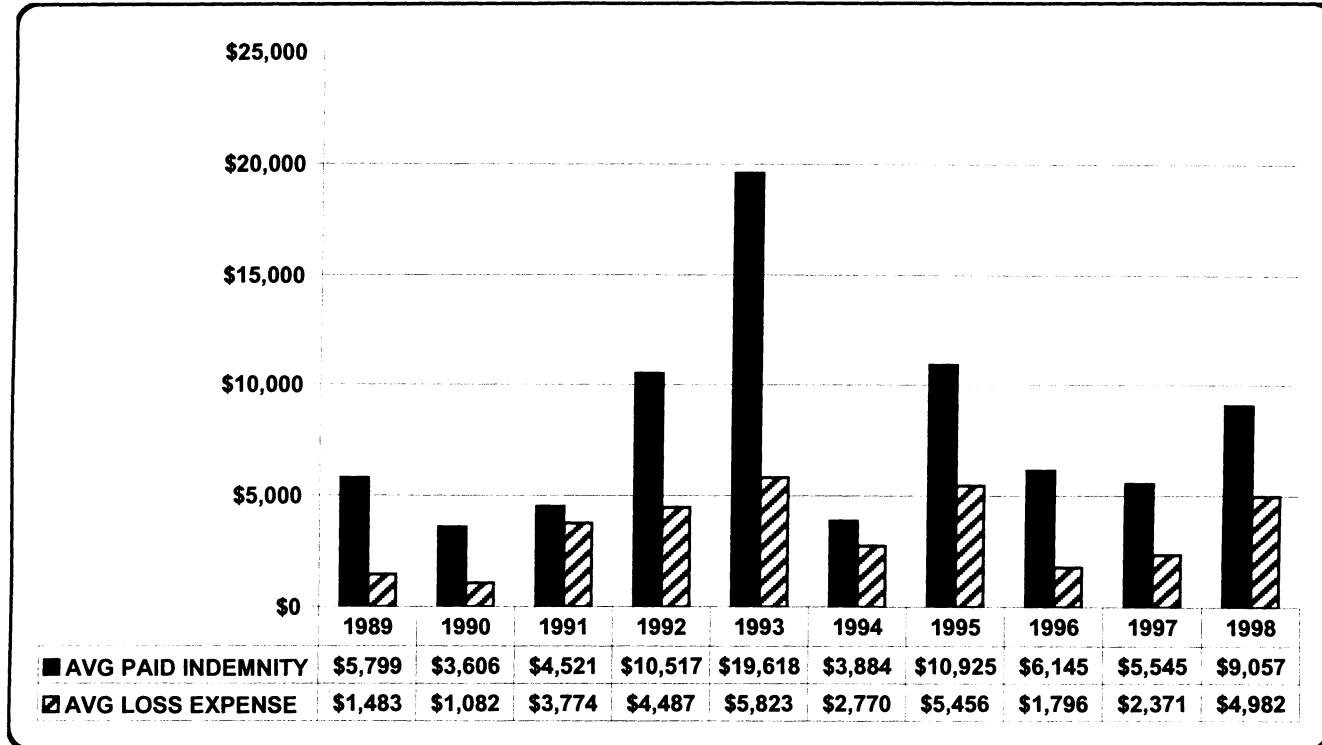
CLAIMS CLOSED IN 1998

AREA OF REAL ESTATE	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
AS AGENT TO PROCURE PURCHASE OF PROPERTY	35	15	93.75%	\$9,057	\$135,862	94.77%	\$4,982
AS AGENT TO PROCURE PROPERTY TO PURCHASE	4	1	6.25%	\$7,500	\$7,500	5.23%	\$584
TOTAL	39	16	100.00%	\$8,960	\$143,362	100.00%	\$4,531

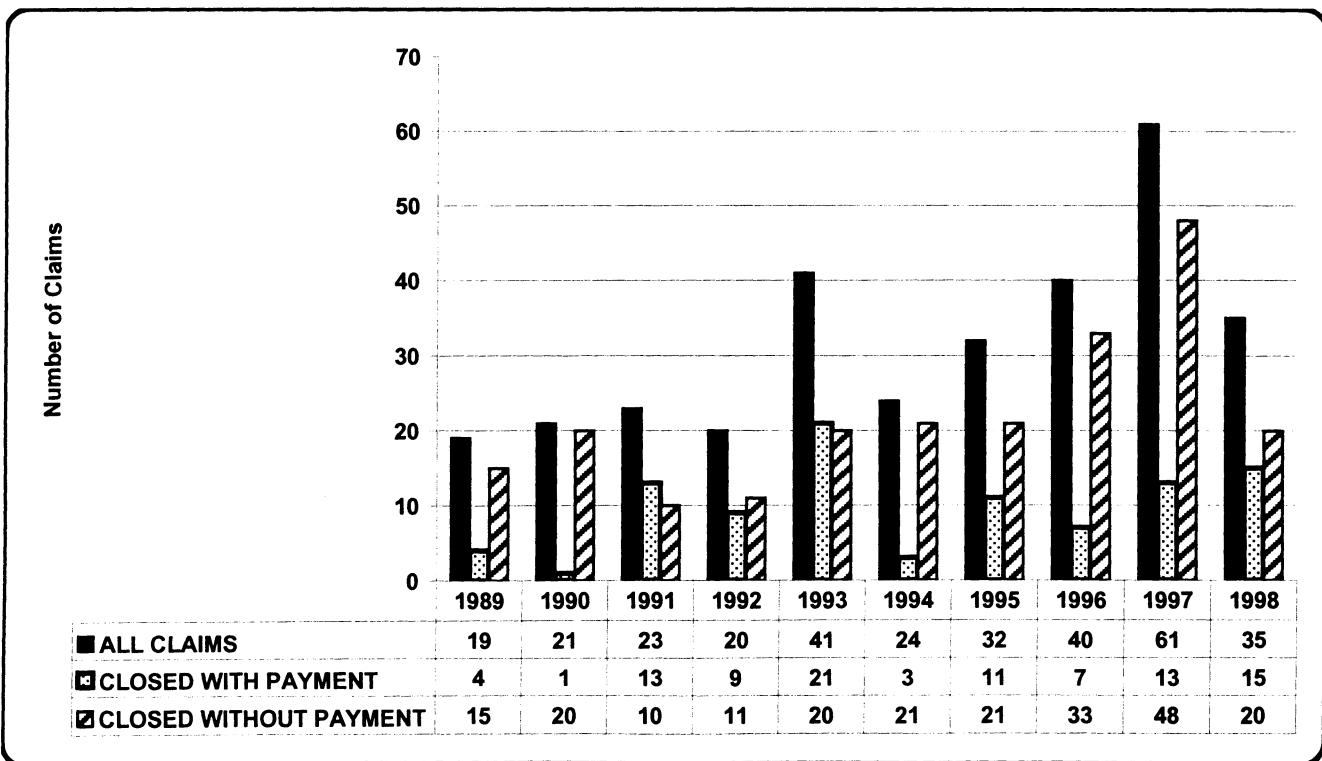
**AREA OF REAL ESTATE
TRENDS
OF
1998**

AS AGENT TO PROCURE PURCHASE OF PROPERTY

Average Paid Indemnity & Average Loss Expense

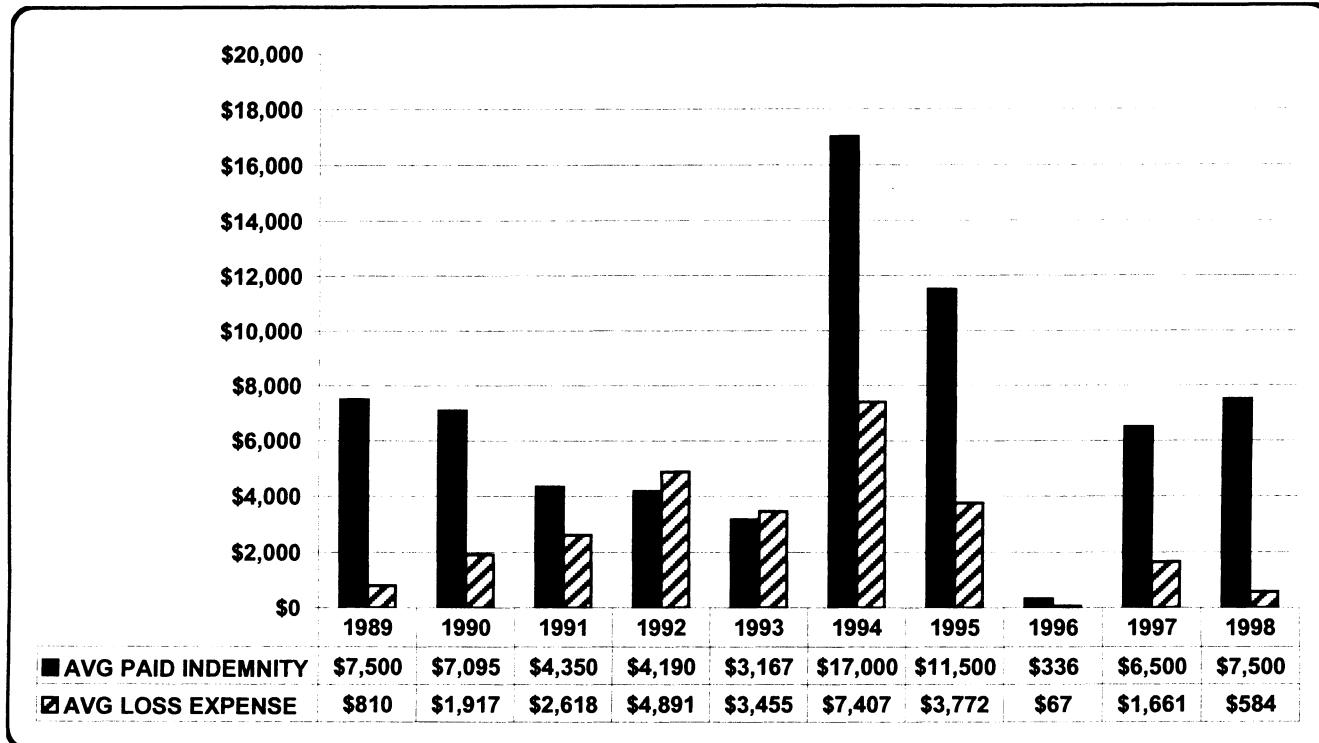


Claim Count

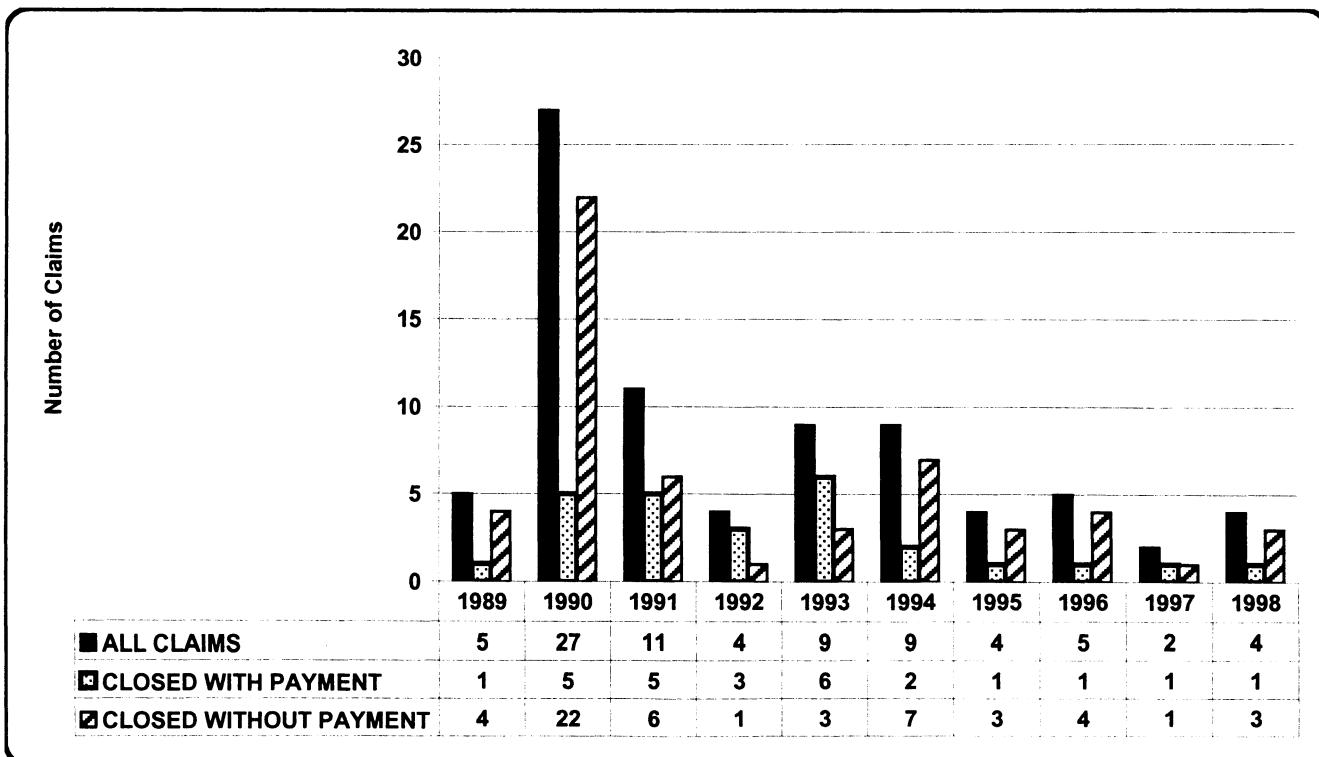


AS AGENT TO PROCURE PROPERTY TO PURCHASE

Average Paid Indemnity & Average Loss Expense



Claim Count



**TEN YEAR SUMMARY
&
1998 SUMMARY
BY
MAJOR ACTIVITY**

**REAL ESTATE MALPRACTICE INSURANCE
INDEMNITY ANALYSIS**

FOR YEARS 1989 – 1998

MAJOR ACTIVITY CODE	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
LISTING THE PROPERTY FOR SALE	209	64	37.21%	\$10,151	\$649,688	47.29%	\$3,259
SHOWING PROPERTY	136	44	25.58%	\$8,551	\$376,241	27.39%	\$2,779
NOT SPECIFIED	130	49	28.49%	\$4,951	\$242,577	17.66%	\$1,876
CLOSING AND TRANSFERRING TITLE	53	15	8.72%	\$7,013	\$105,190	7.66%	\$5,100
TOTAL	528	172	100.00%	\$7,987	\$1,373,696	100.00%	\$2,979

REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

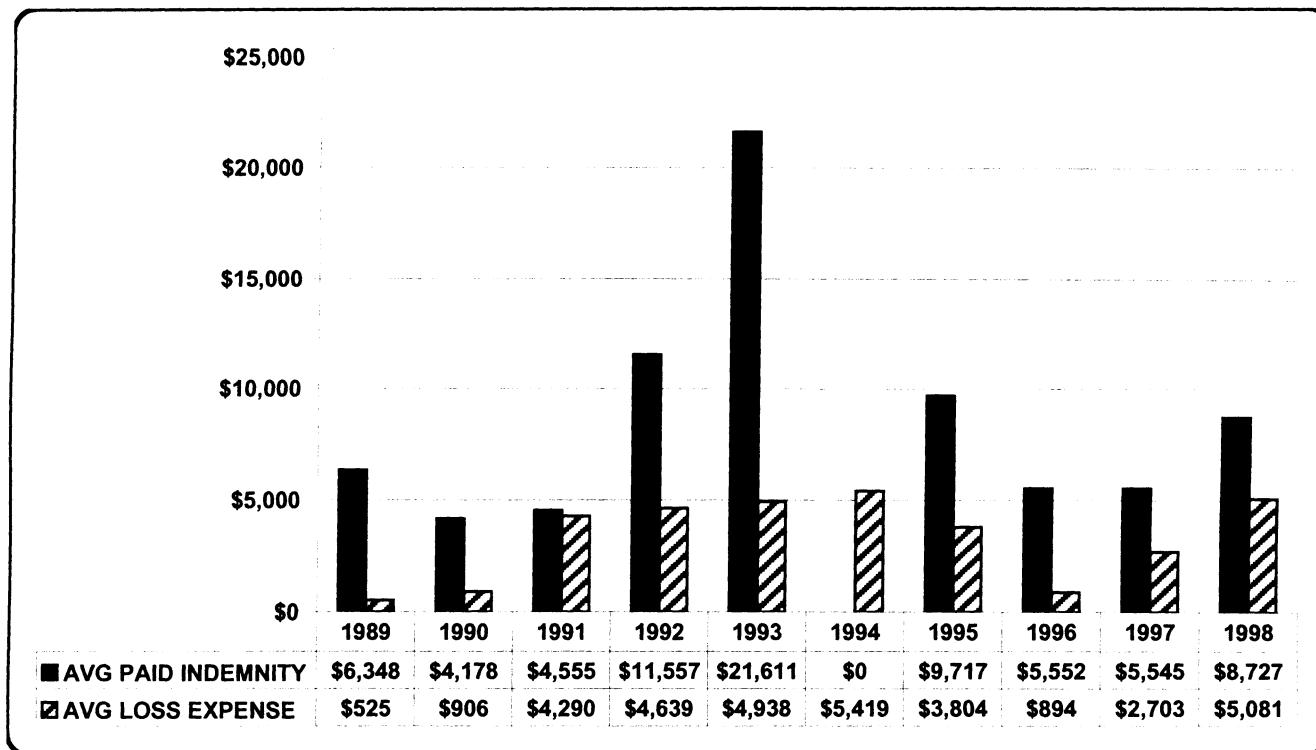
CLAIMS CLOSED IN 1998

MAJOR ACTIVITY CODE	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
LISTING THE PROPERTY FOR SALE	29	13	81.25%	\$8,727	\$113,456	79.14%	\$5,081
SHOWING PROPERTY	6	2	12.50%	\$7,250	\$14,500	10.11%	\$2,804
CLOSING AND TRANSFERRING TITLE	4	1	6.25%	\$15,406	\$15,406	10.75%	\$3,137
TOTAL	39	16	100.00%	\$8,960	\$143,362	100.00%	\$4,531

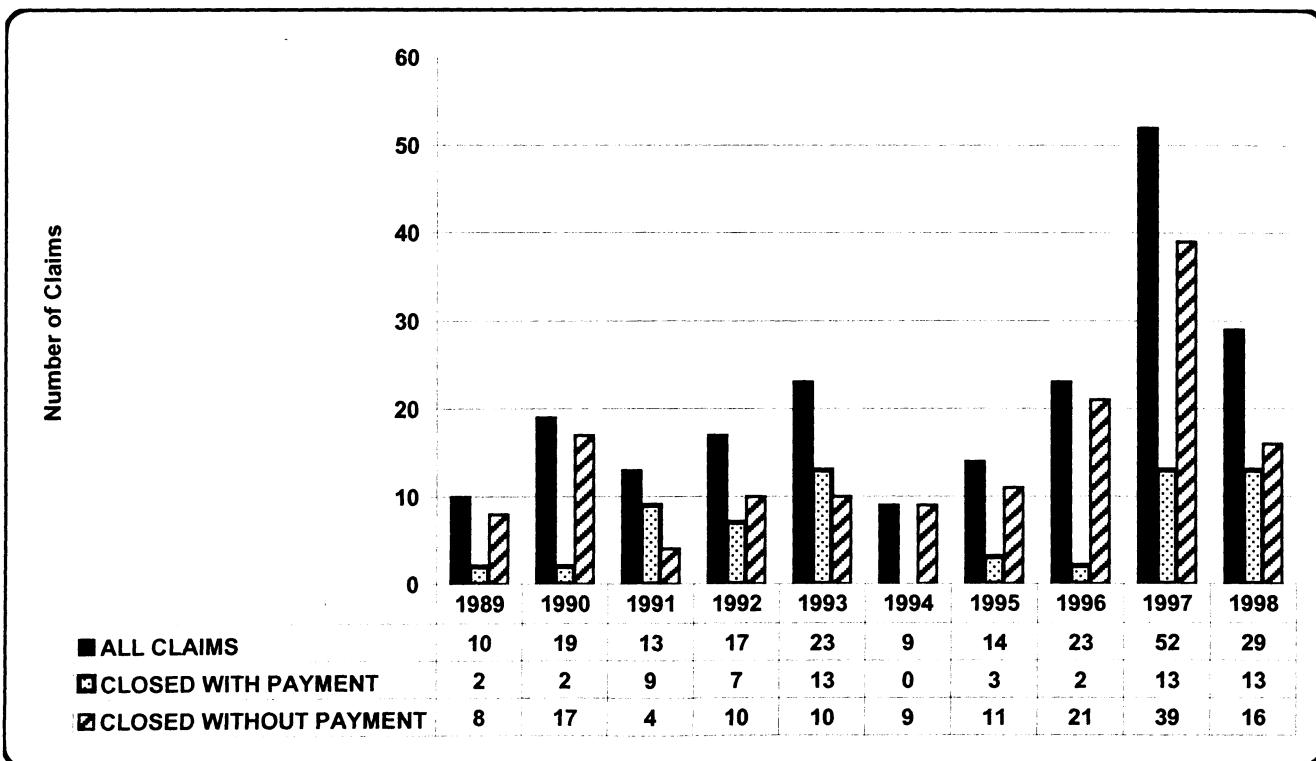
**MAJOR ACTIVITY
TRENDS
OF
1998**

LISTING THE PROPERTY FOR SALE

Average Paid Indemnity & Average Loss Expense

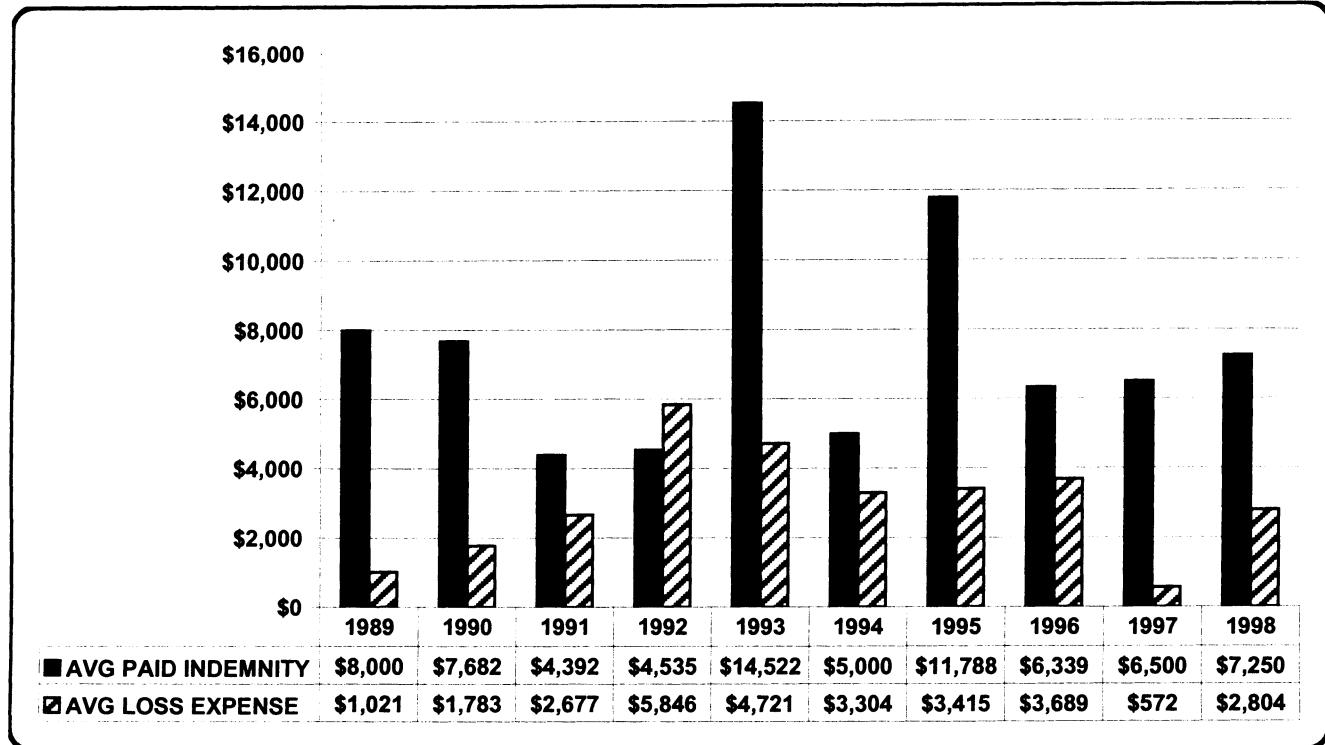


Claim Count

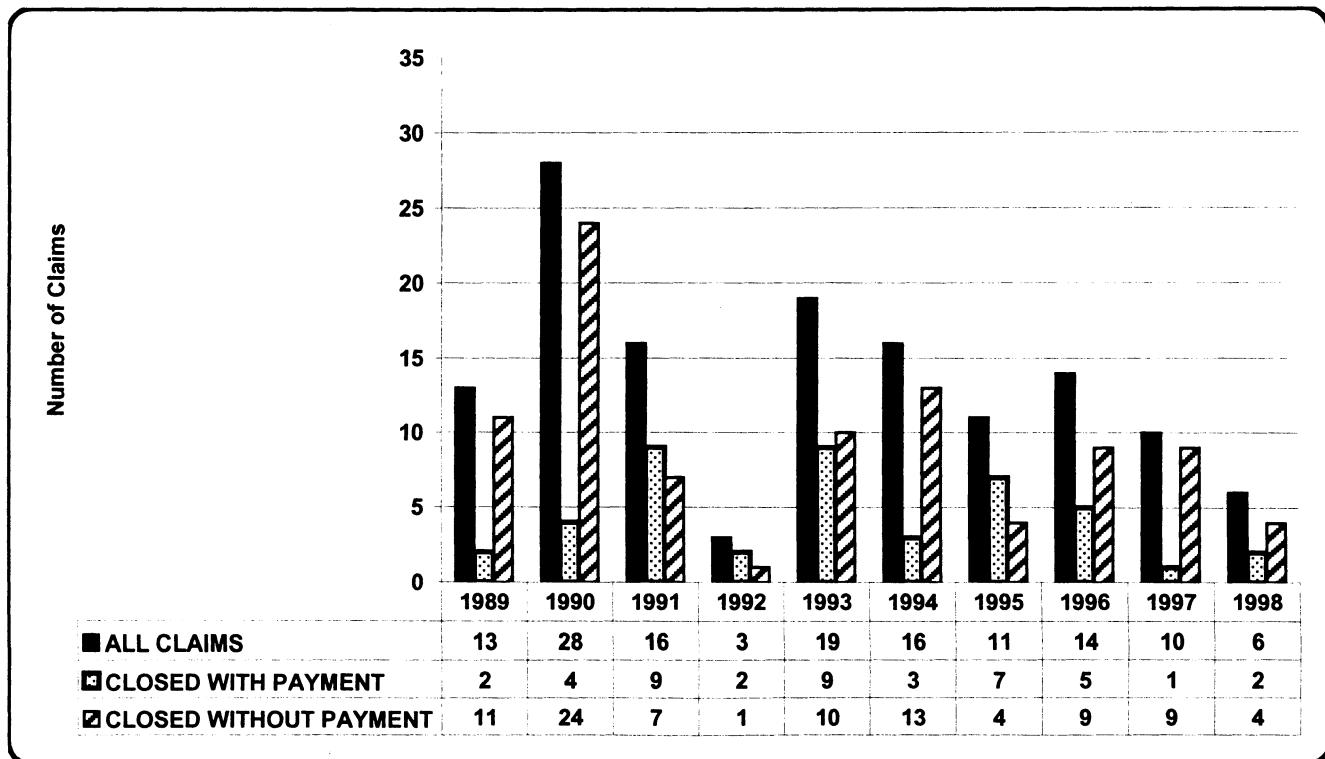


SHOWING PROPERTY

Average Paid Indemnity & Average Loss Expense

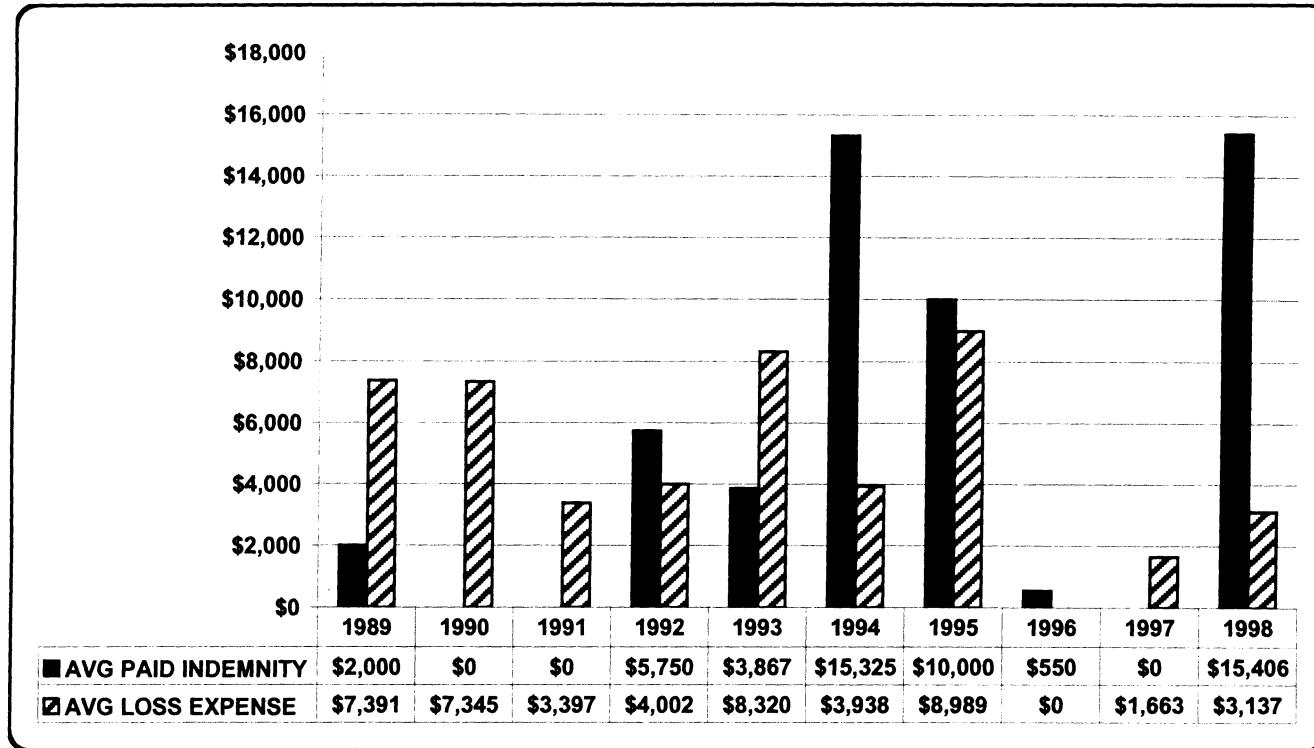


Claim Count

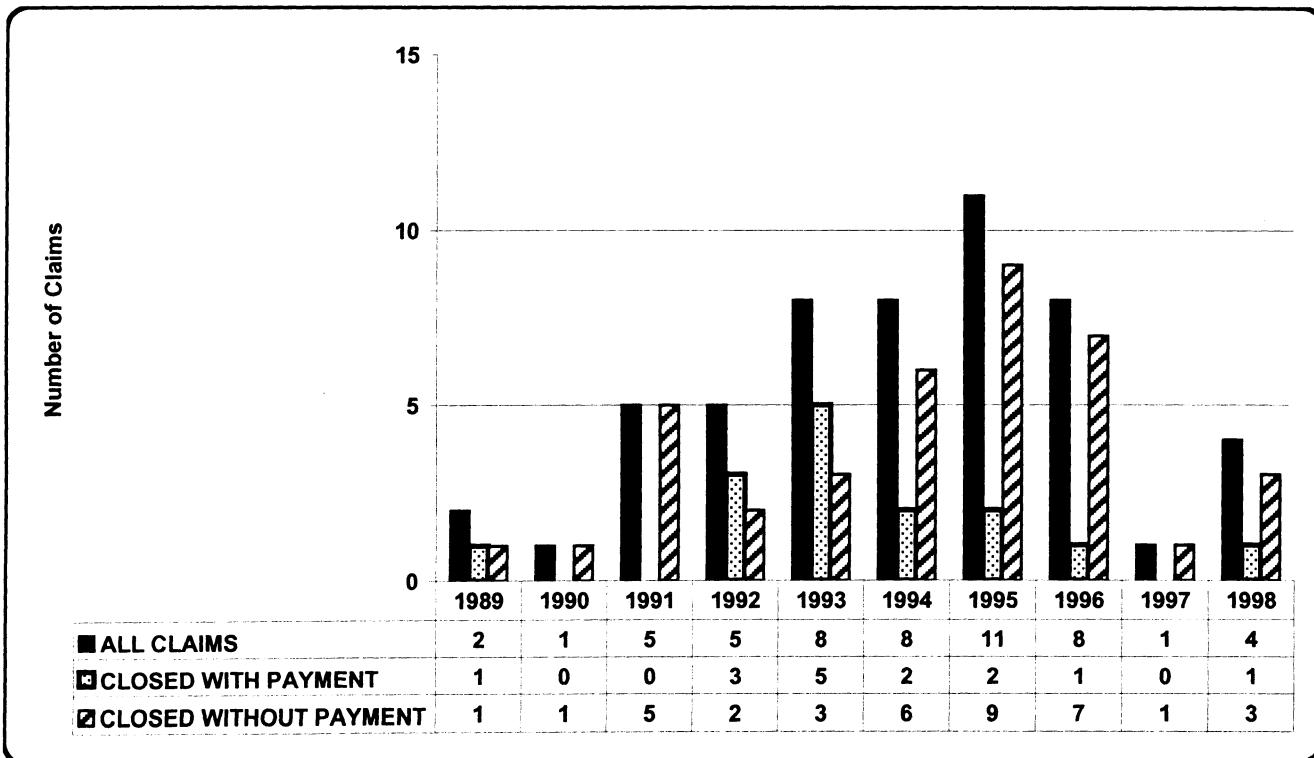


CLOSING AND TRANSFERRING TITLE

Average Paid Indemnity & Average Loss Expense



Claim Count



**TEN YEAR SUMMARY
&
1998 SUMMARY
BY
ALLEGED ERROR OR OMISSION**

REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

FOR YEARS 1989 – 1998

ALLEGED ERROR OR OMISSION	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
FAILURE TO DISCLOSE MATERIAL FACT ABOUT THE PROPERTY NOT SPECIFIED	315	99	57.56%	\$9,603	\$950,650	69.20%	\$3,331
OTHER	130	49	28.49%	\$4,951	\$242,577	17.66%	\$1,876
FAILURE TO CORRECTLY COMPLETE FORMS TO TRANSFER OWNERSHIP	58	14	8.14%	\$8,735	\$122,292	8.90%	\$3,368
TOTAL	528	172	100.00%	\$7,987	\$1,373,696	100.00%	\$2,979

REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

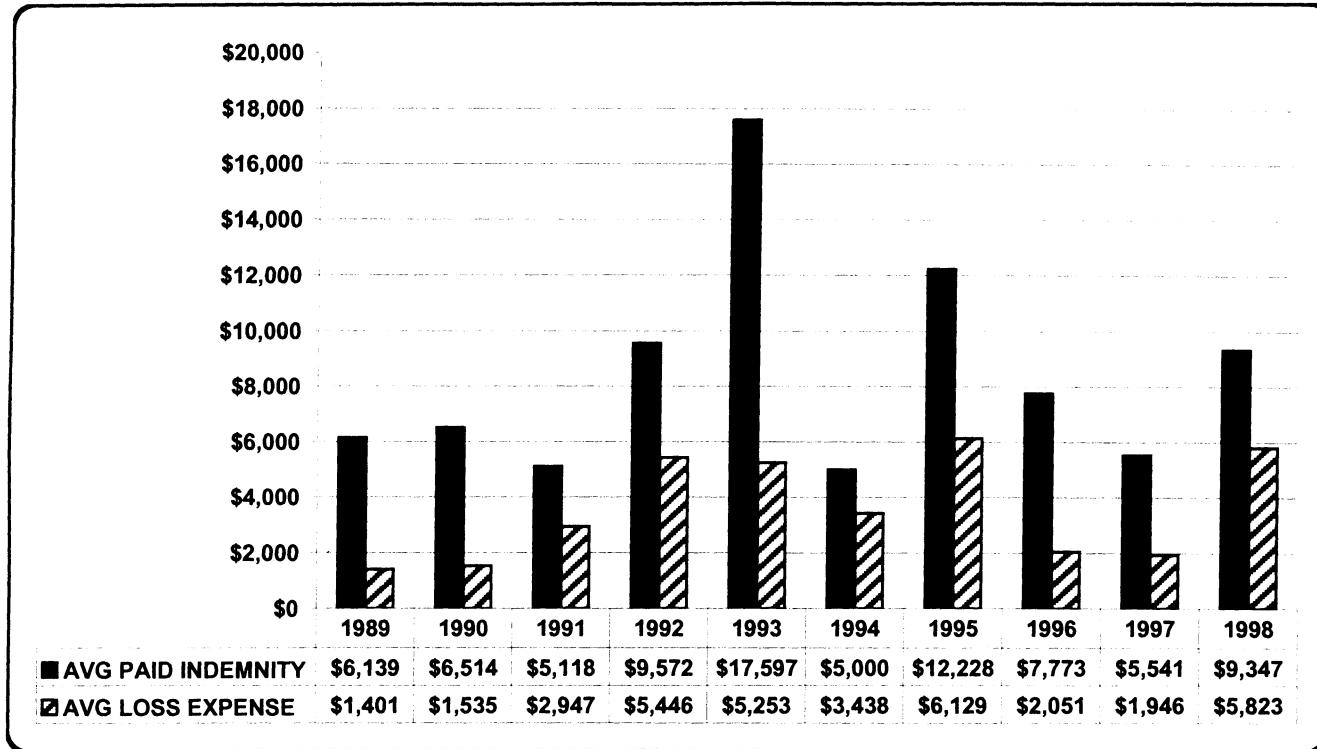
CLAIMS CLOSED IN 1998

ALLEGED ERROR OR OMISSION	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
FAILURE TO DISCLOSE MATERIAL FACT ABOUT THE PROPERTY	28	14	87.50%	\$9,347	\$130,862	91.28%	\$5,823
FAILURE TO CORRECTLY COMPLETE FORMS TO TRANSFER OWNERSHIP	6	1	6.25%	\$10,000	\$10,000	6.98%	\$1,237
OTHER	5	1	6.25%	\$2,500	\$2,500	1.74%	\$1,249
TOTAL	39	16	100.00%	\$8,960	\$143,362	100.00%	\$4,531

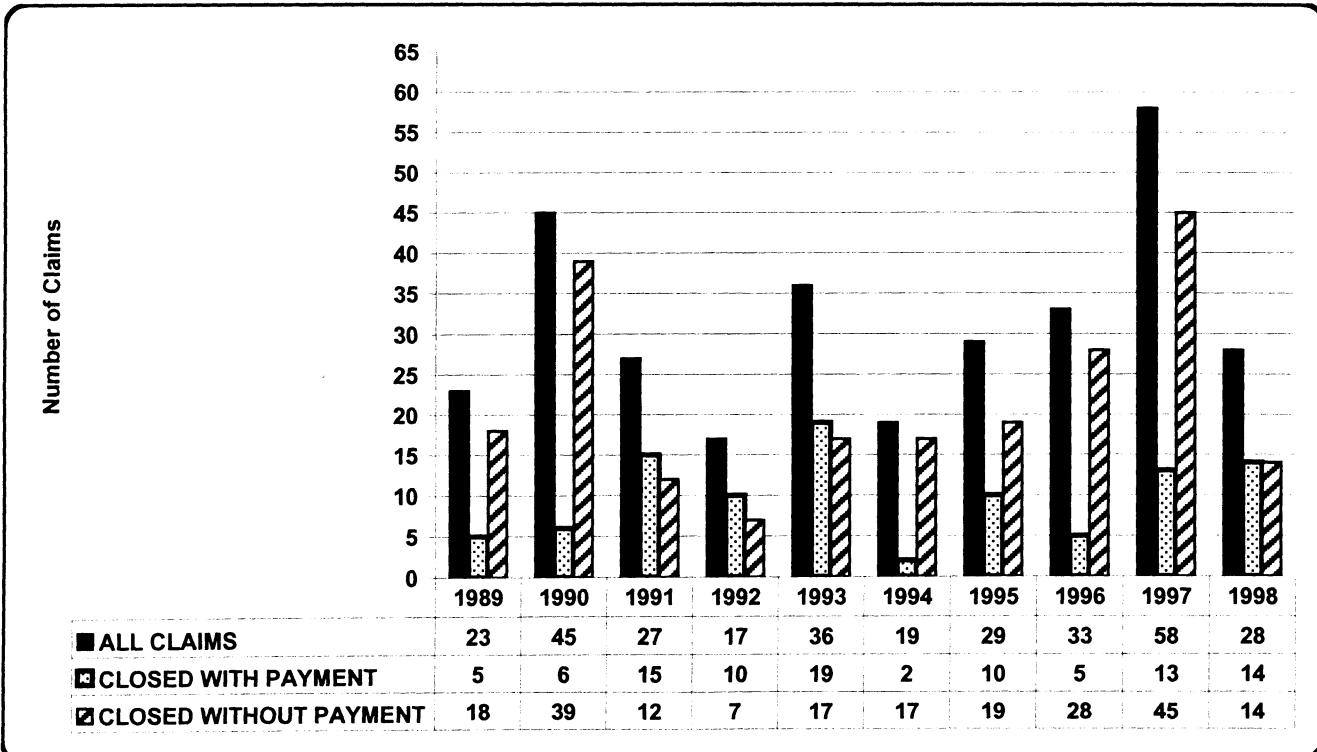
**ALLEGED ERROR OR OMISSION
TRENDS
OF
1998**

FAILURE TO DISCLOSE MATERIAL FACT ABOUT THE PROPERTY

Average Paid Indemnity & Average Loss Expense

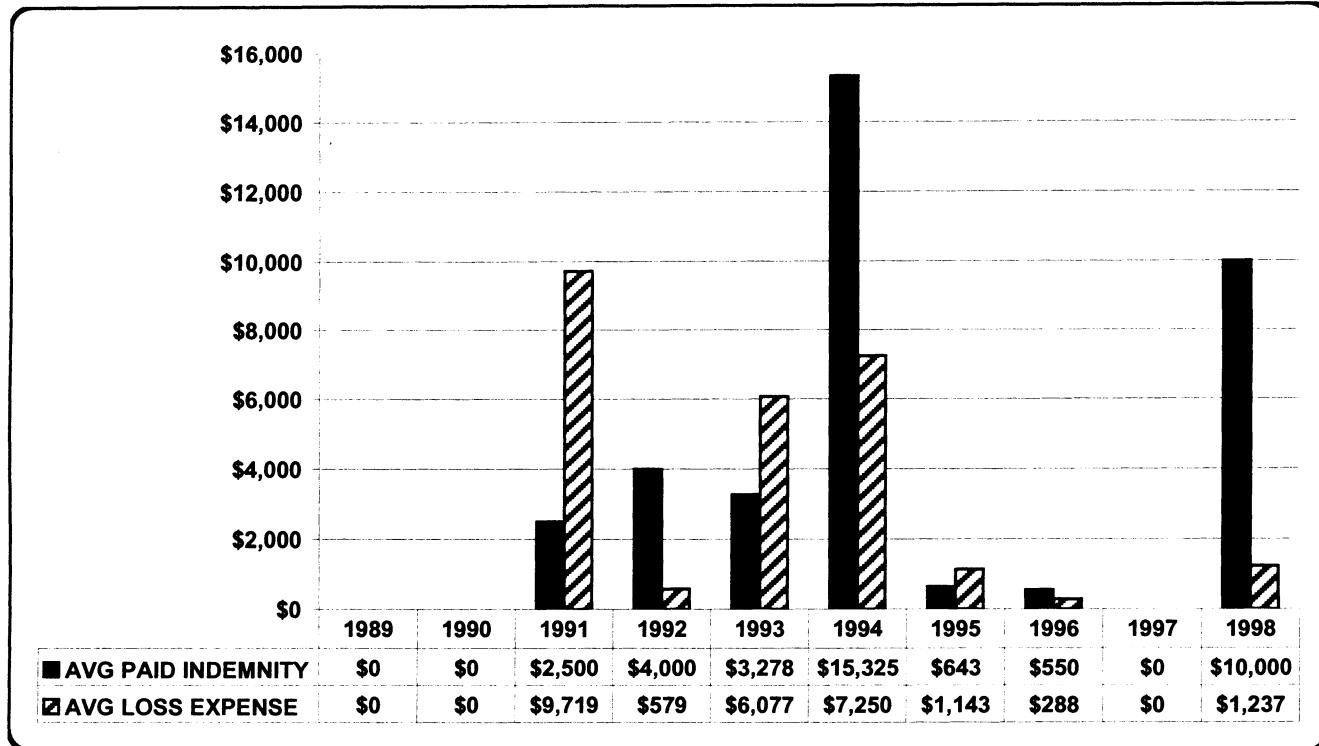


Claim Count

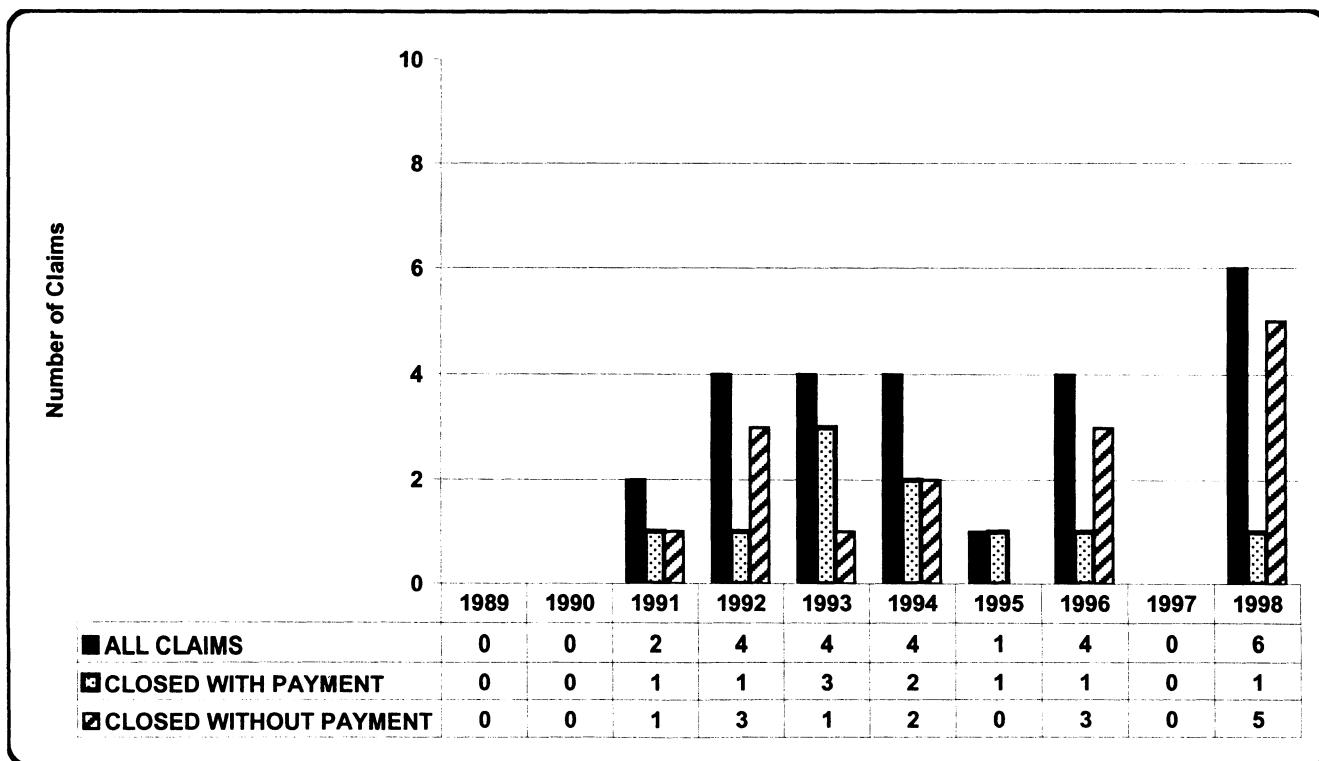


FAILURE TO CORRECTLY COMPLETE FORMS TO TRANSFER OWNERSHIP

Average Paid Indemnity & Average Loss Expense

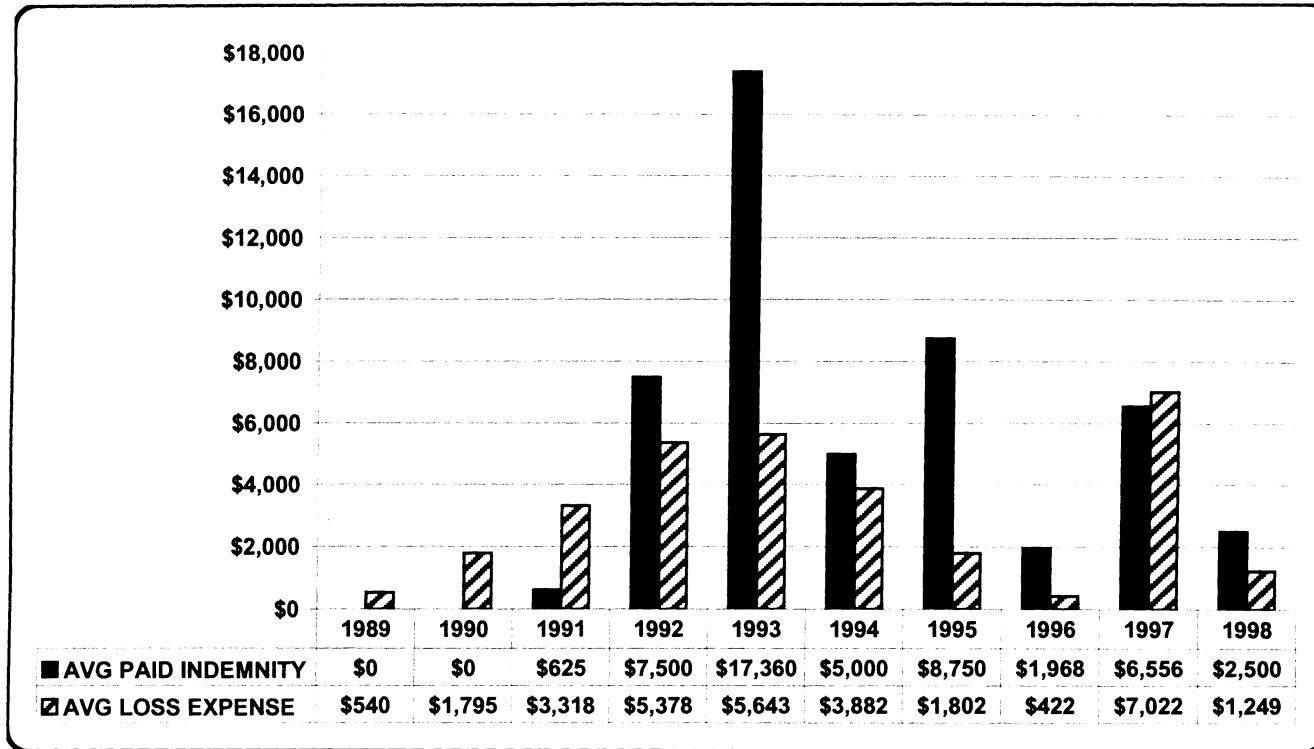


Claim Count

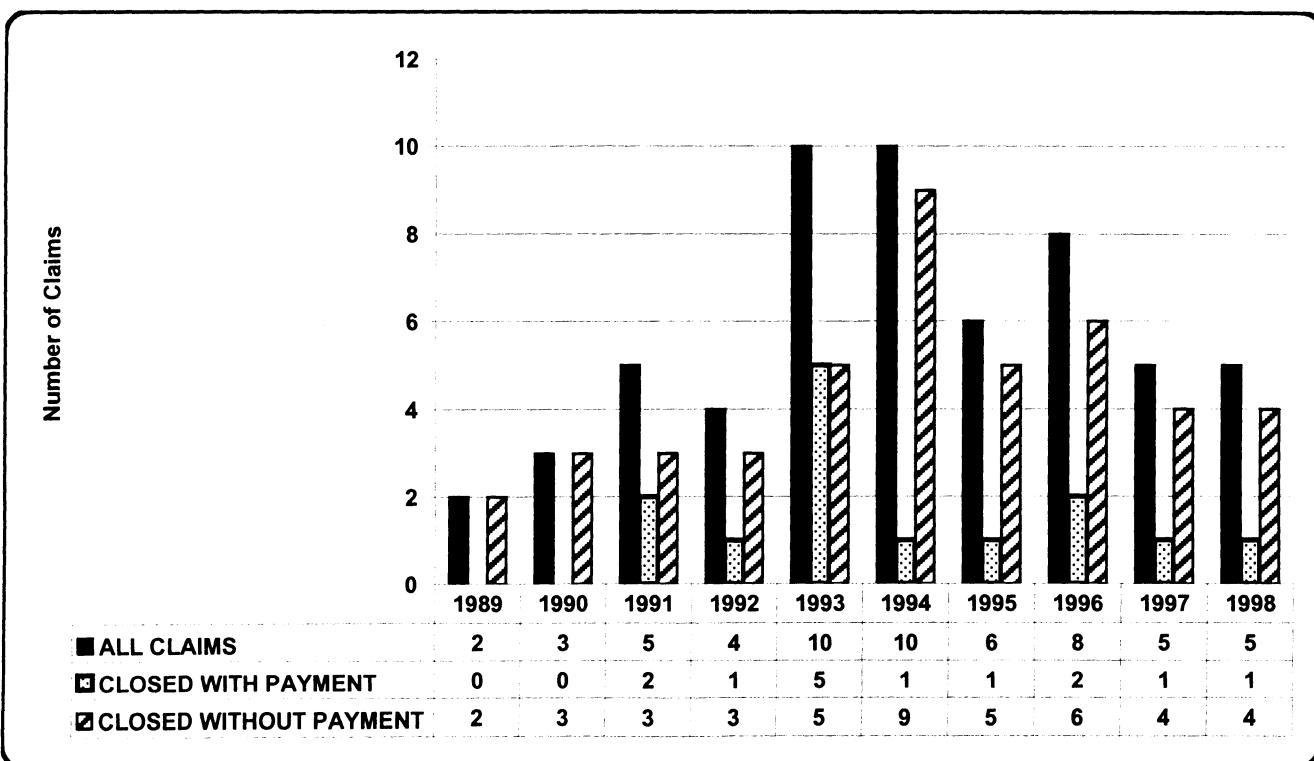


OTHER

Average Paid Indemnity & Average Loss Expense



Claim Count



**TEN YEAR SUMMARY
&
1998 SUMMARY
BY
CLAIM DISPOSITION**

REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

FOR YEARS 1989 – 1998

CLAIM DISPOSITION	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
NOT SPECIFIED	183	65	37.79%	\$5,291	\$343,906	25.04%	\$1,914
BEFORE TRIAL OR HEARING	139	84	48.84%	\$9,706	\$815,346	59.35%	\$5,122
CLAIM OR SUIT ABANDONED	109	2	1.16%	\$3,325	\$6,651	0.48%	\$1,198
BEFORE FILING SUIT OR DEMANDING HEARING	63	14	8.14%	\$7,269	\$101,762	7.41%	\$966
AFTER JUDGMENT, BEFORE APPEAL	19	1	0.58%	\$20,169	\$20,169	1.47%	\$10,703
DURING TRIAL OR HEARING	14	6	3.49%	\$14,310	\$85,862	6.25%	\$7,868
AFTER APPEAL	1	0	0.00%	N/A	\$0	0.00%	\$6,028
TOTAL	528	172	100.00%	\$7,987	\$1,373,696	100.00%	\$2,979

REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

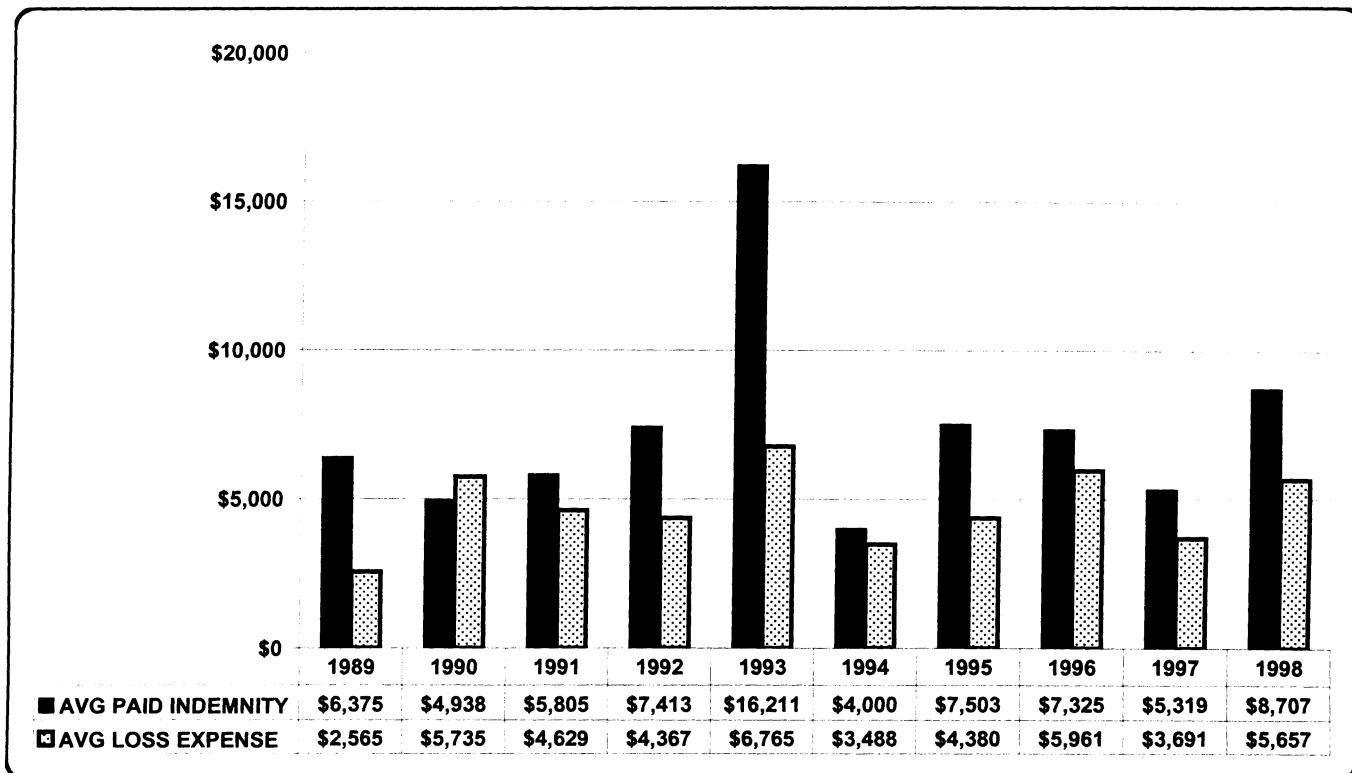
CLAIMS CLOSED IN 1998

CLAIM DISPOSITION	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
BEFORE TRIAL OR HEARING	23	13	81.25%	\$8,707	\$113,193	78.96%	\$5,657
BEFORE FILING SUIT OR DEMANDING HEARING	8	2	12.50%	\$5,000	\$10,000	6.98%	\$1,536
CLAIM OR SUIT ABANDONED	5	0	0.00%	N/A	\$0	0.00%	\$4,241
AFTER JUDGMENT, BEFORE APPEAL	2	1	6.25%	\$20,169	\$20,169	14.07%	\$6,551
DURING TRIAL OR HEARING	1	0	0.00%	N/A	\$0	0.00%	\$0
TOTAL	39	16	100.00%	\$8,960	\$143,362	100.00%	\$4,531

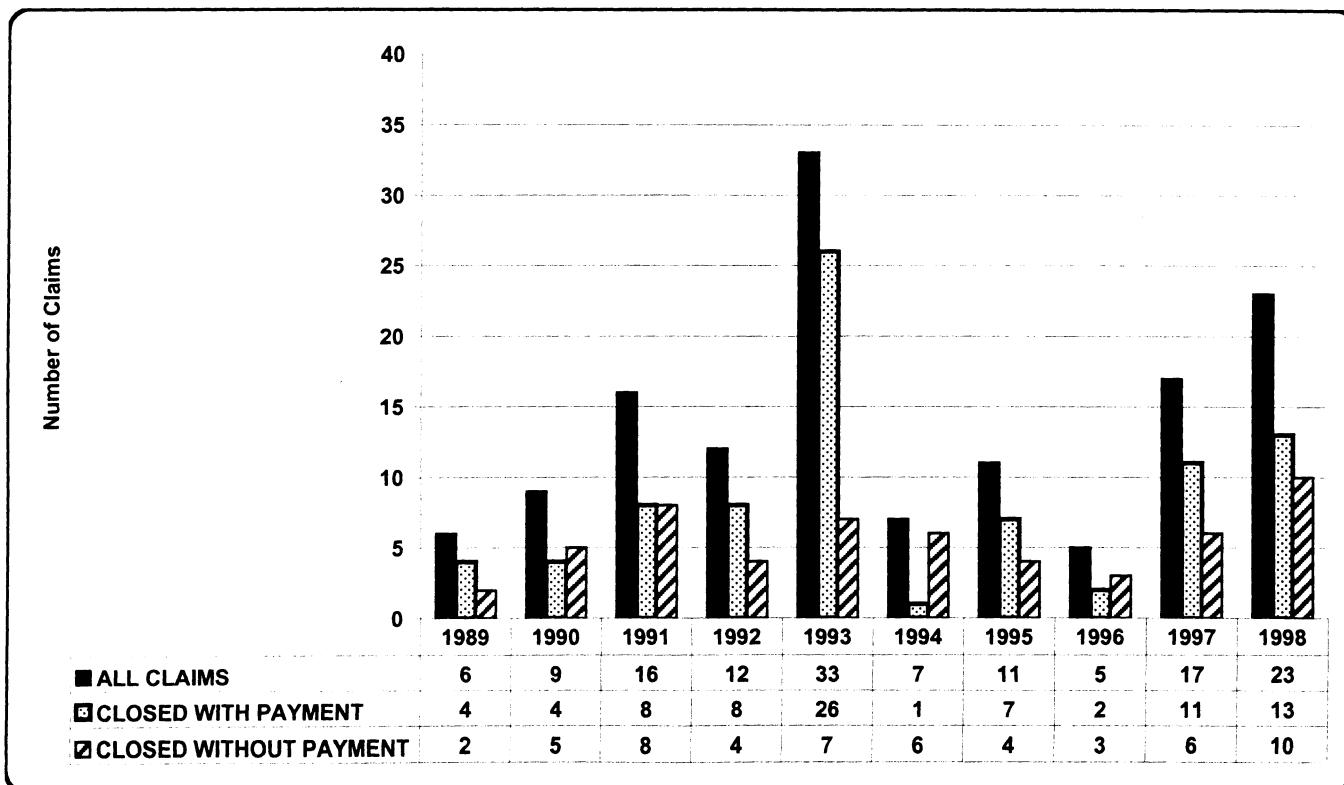
**CLAIM DISPOSITION
TRENDS
OF
1998**

BEFORE TRIAL OR HEARING

Average Paid Indemnity & Average Loss Expense

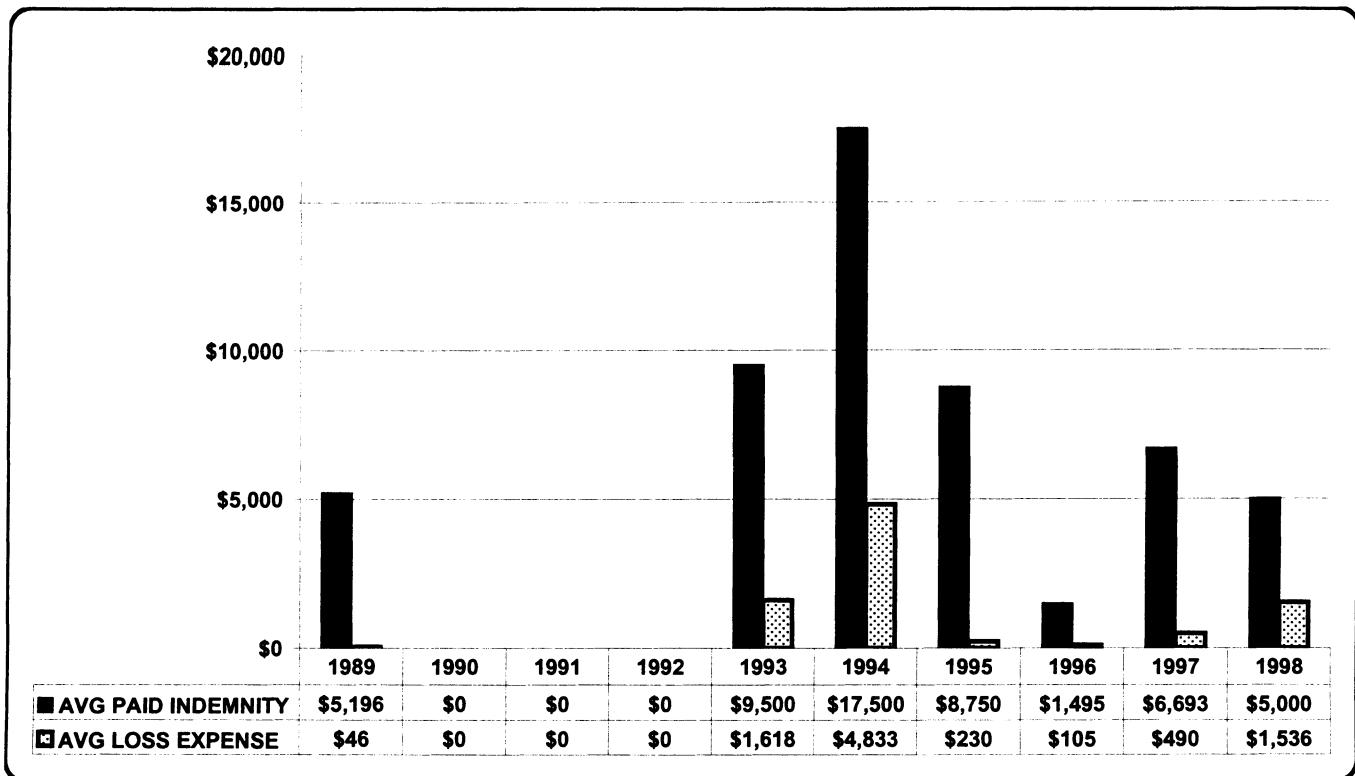


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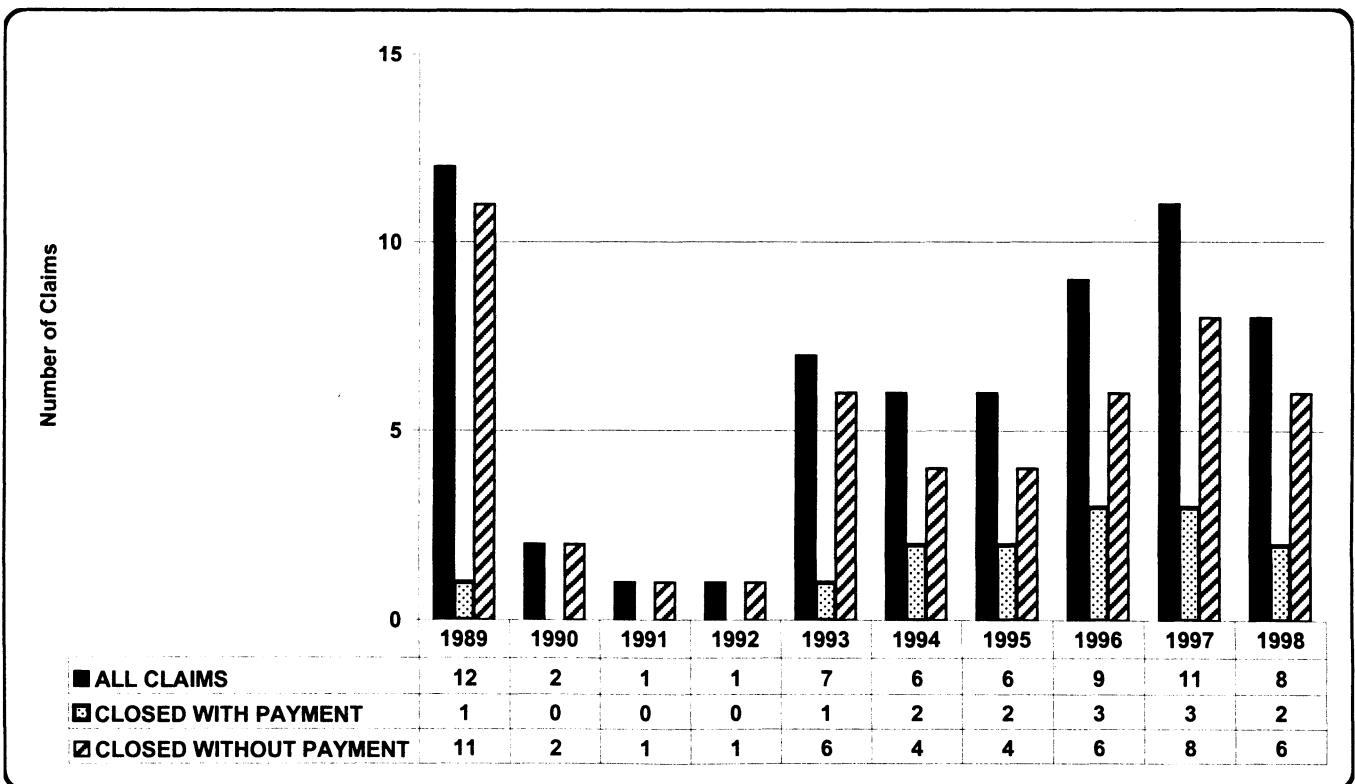


BEFORE FILING SUIT OR DEMANDING HEARING

Average Paid Indemnity & Average Loss Expense

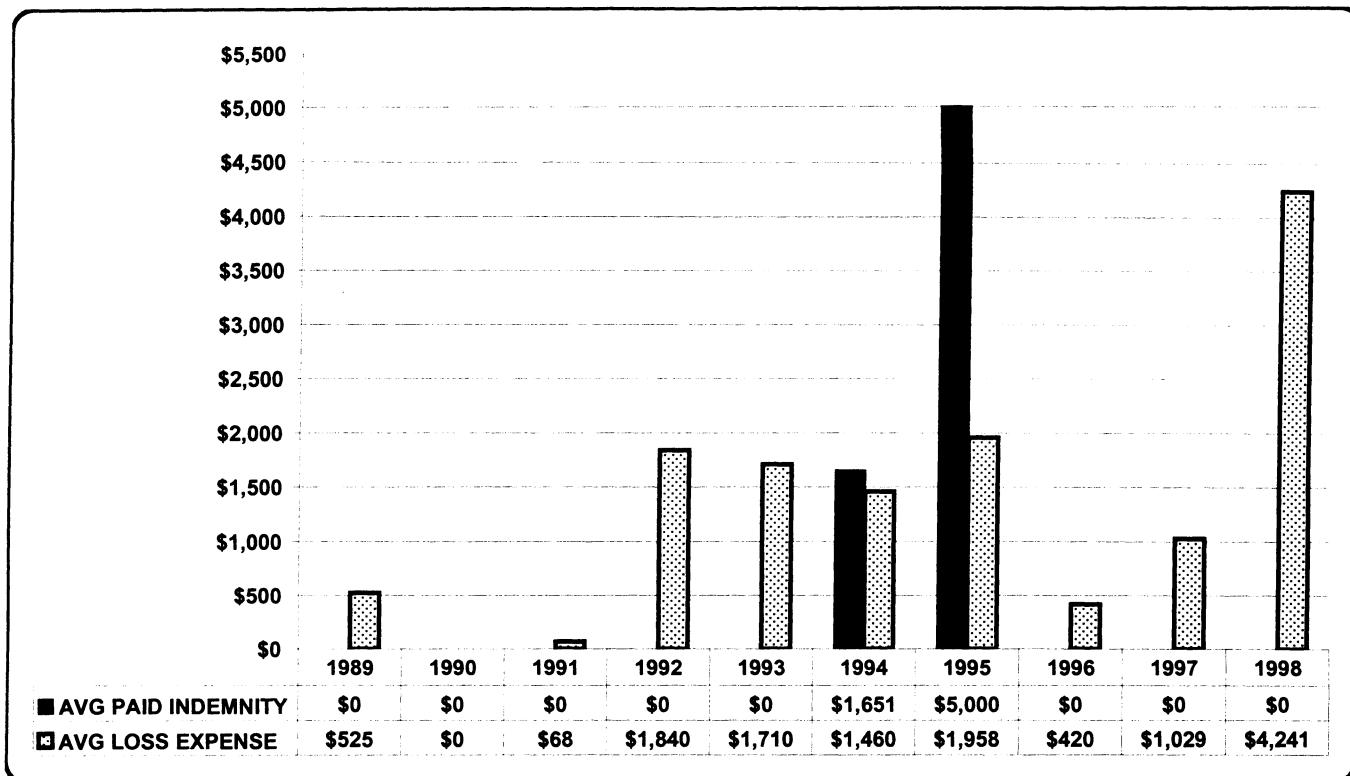


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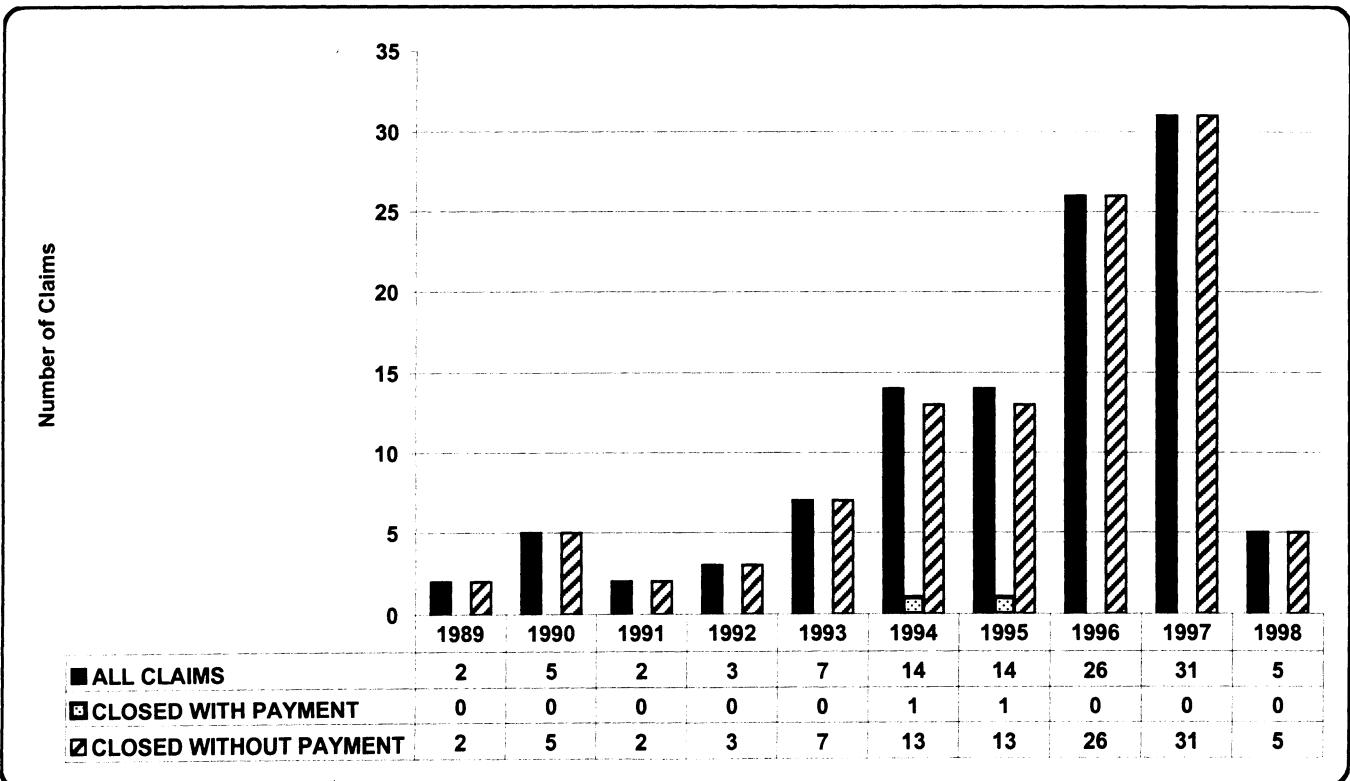


CLAIM OR SUIT ABANDONED

Average Paid Indemnity & Average Loss Expense

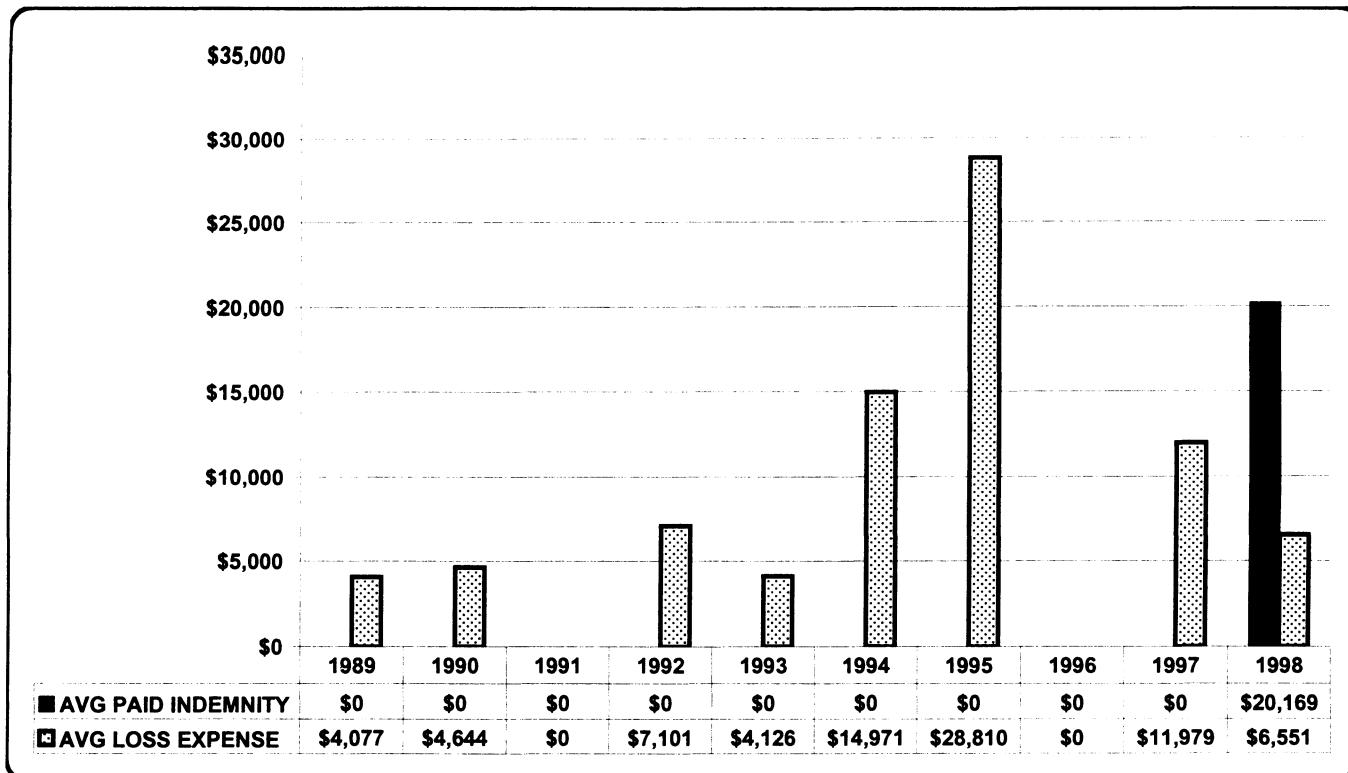


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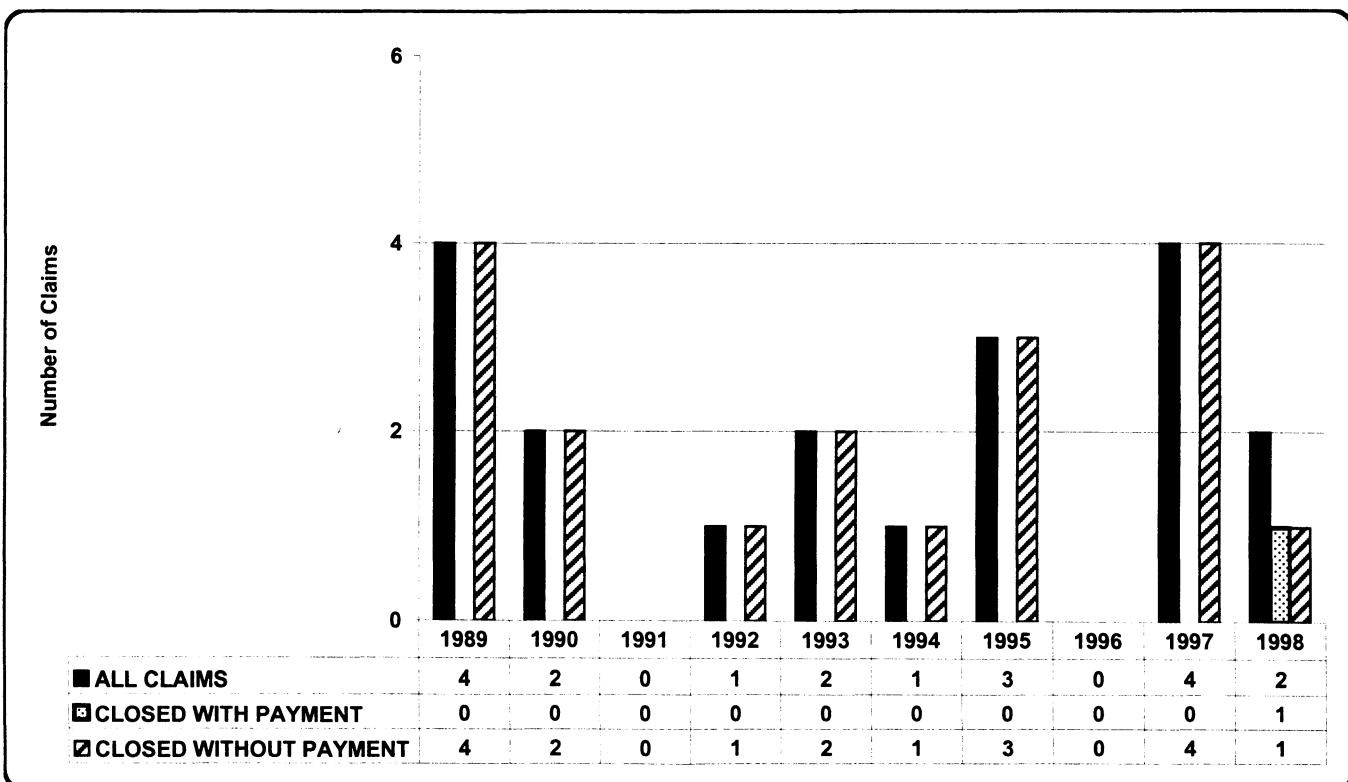


AFTER JUDGMENT, BEFORE APPEAL

Average Paid Indemnity & Average Loss Expense

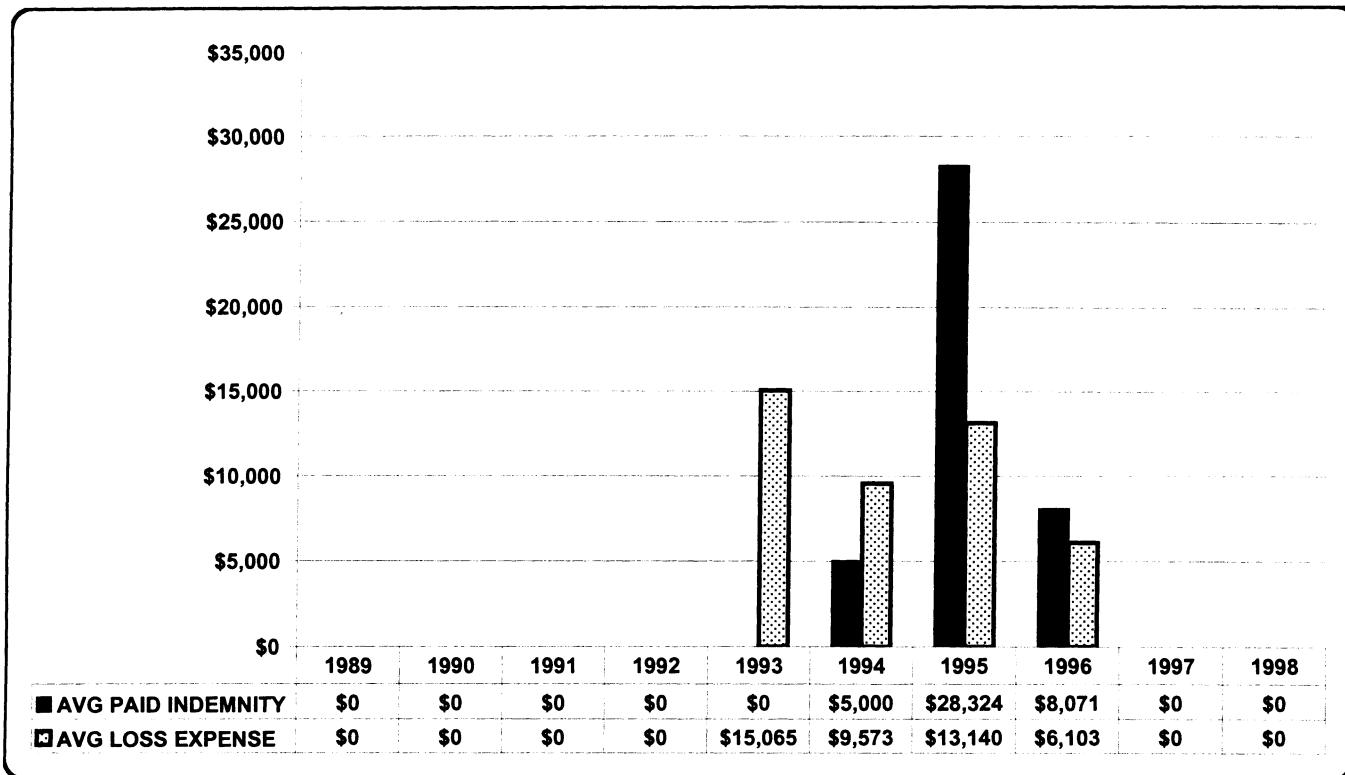


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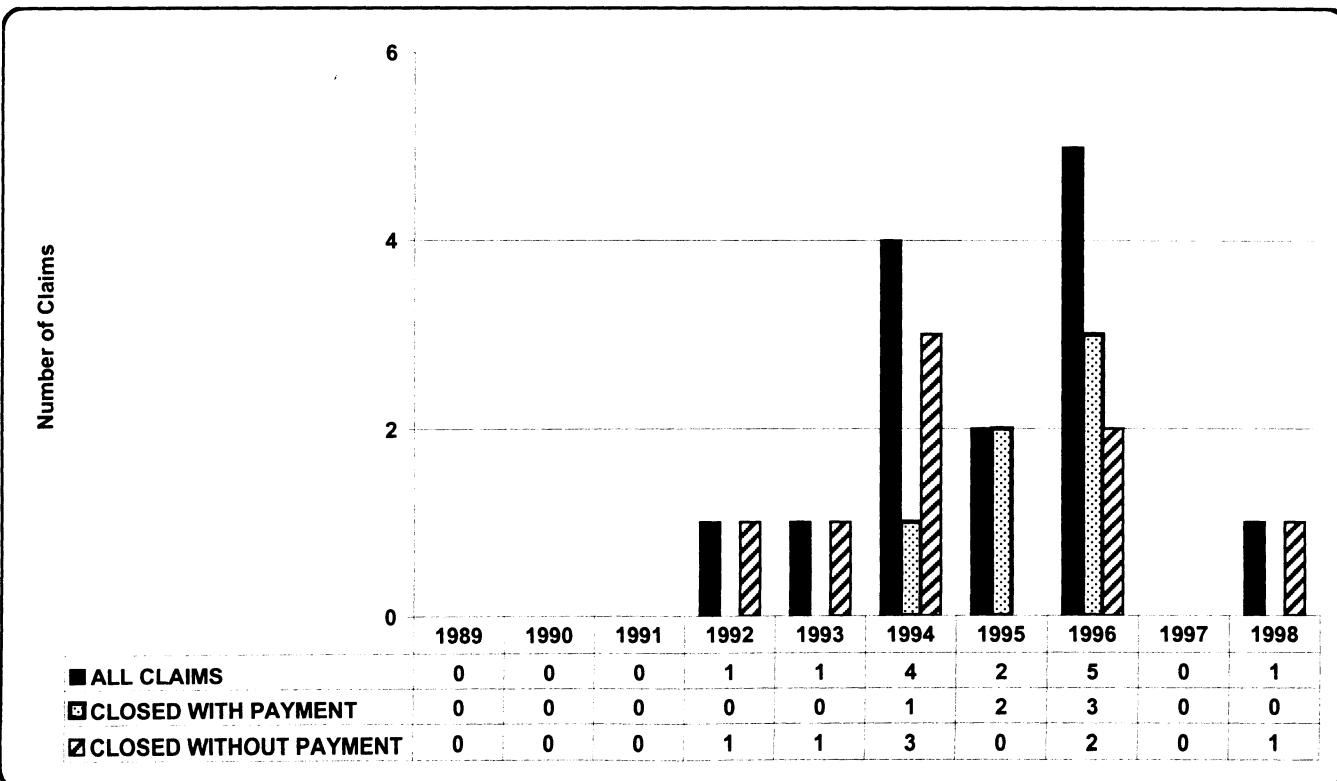


DURING TRIAL OR HEARING

Average Paid Indemnity & Average Loss Expense



Claim Count



**TEN YEAR SUMMARY
&
1998 SUMMARY
BY
YEARS ADMITTED TO PRACTICE**

REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

FOR YEARS 1989 – 1998

YEARS ADMITTED TO PRACTICE	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
OVER 10 YEARS	195	56	32.56%	\$8,478	\$474,757	34.56%	\$3,173
NOT SPECIFIED	163	67	38.95%	\$9,451	\$633,198	46.09%	\$2,531
4 TO 10 YEARS	144	40	23.26%	\$5,741	\$229,640	16.72%	\$3,466
UNDER 4 YEARS	26	9	5.23%	\$4,011	\$36,101	2.63%	\$1,646
TOTAL	528	172	100.00%	\$7,987	\$1,373,696	100.00%	\$2,979

REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

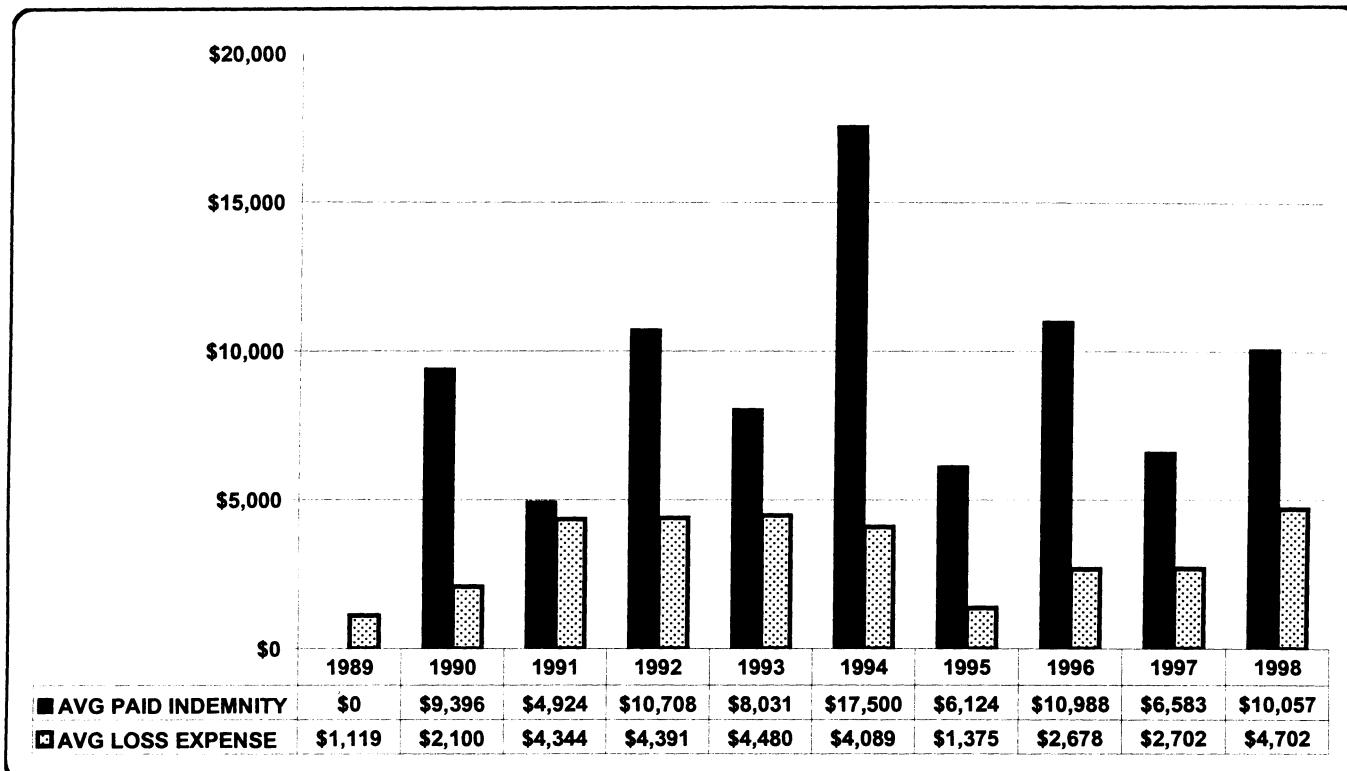
CLAIMS CLOSED IN 1998

YEARS ADMITTED TO PRACTICE	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
OVER 10 YEARS	25	13	81.25%	\$10,057	\$130,742	91.20%	\$4,702
4 TO 10 YEARS	11	3	18.75%	\$4,207	\$12,620	8.80%	\$5,244
UNDER 4 YEARS	3	0	0.00%	N/A	\$0	0.00%	\$492
TOTAL	39	16	100.00%	\$8,960	\$143,362	100.00%	\$4,531

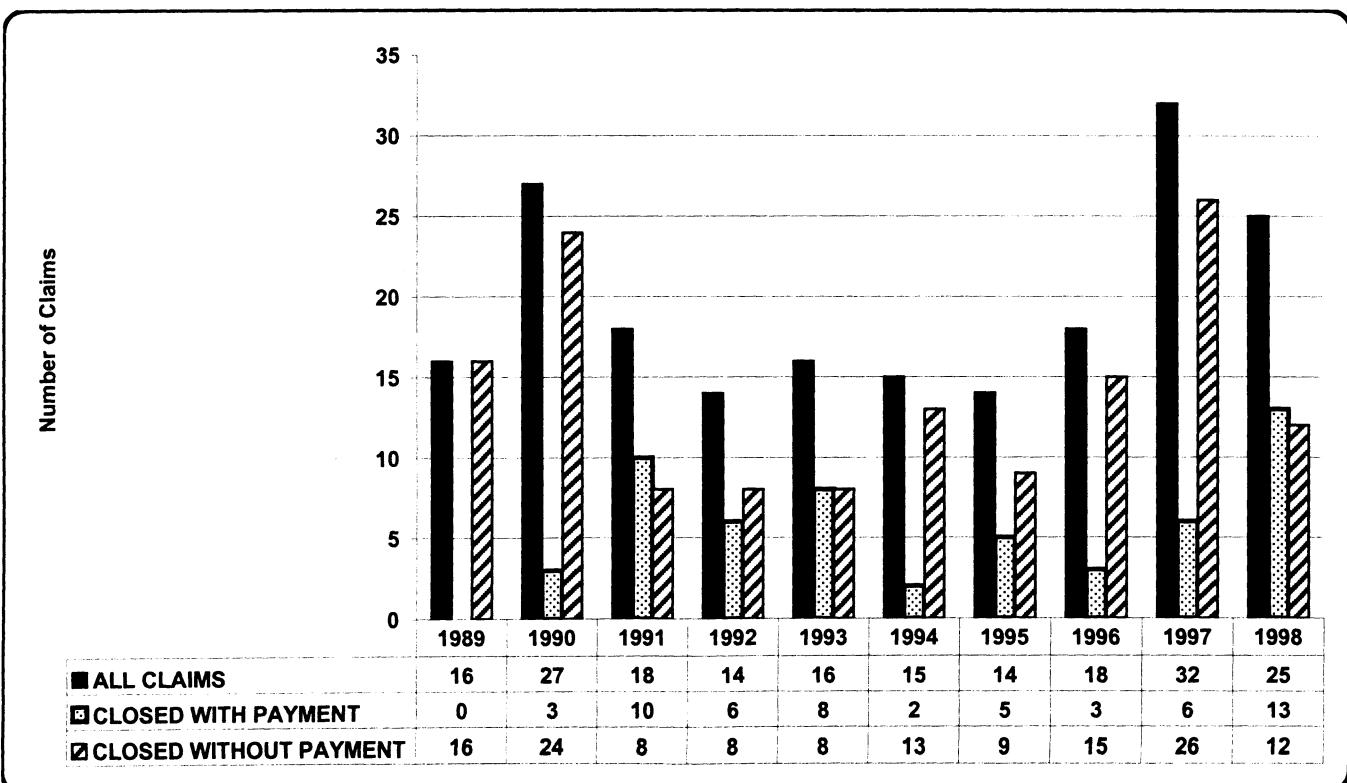
**YEARS ADMITTED TO PRACTICE
TRENDS
OF
1998**

OVER 10 YEARS

Average Paid Indemnity & Average Loss Expense

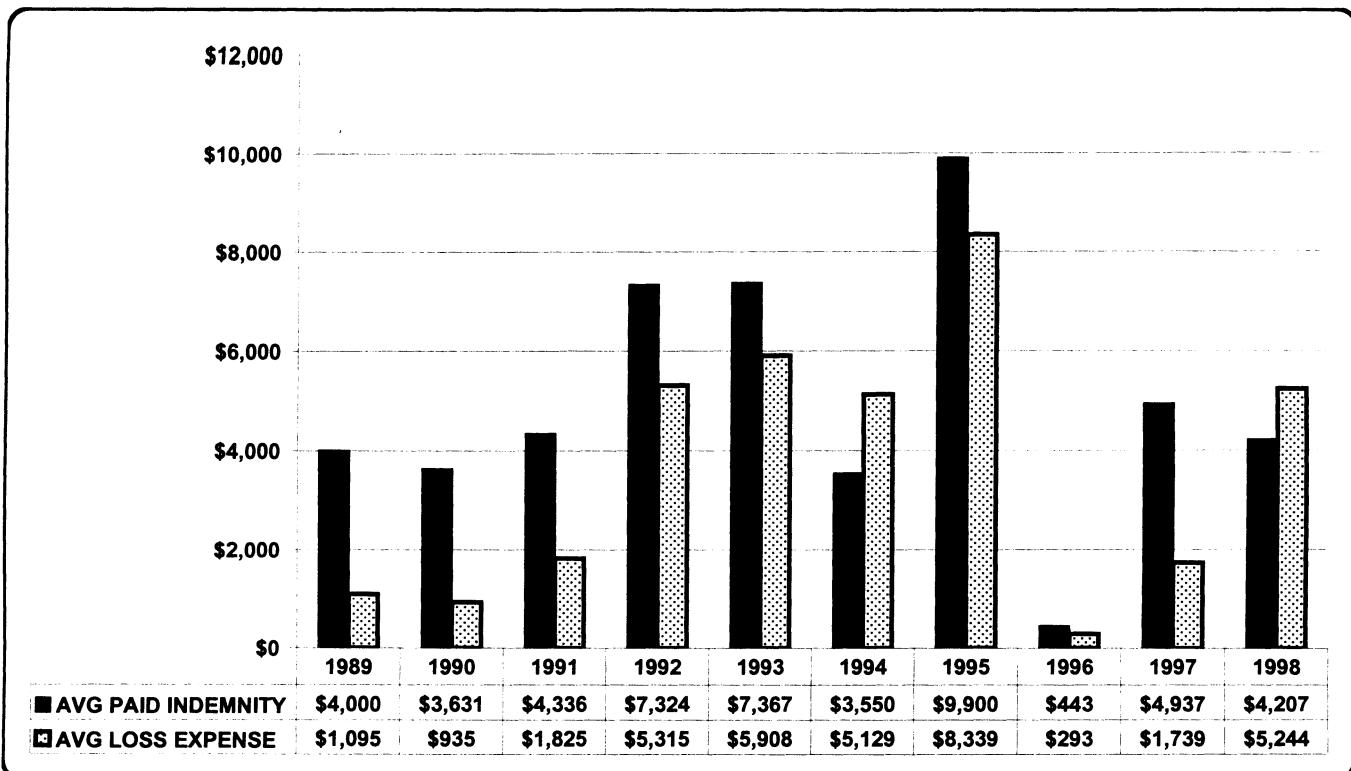


Claim Count

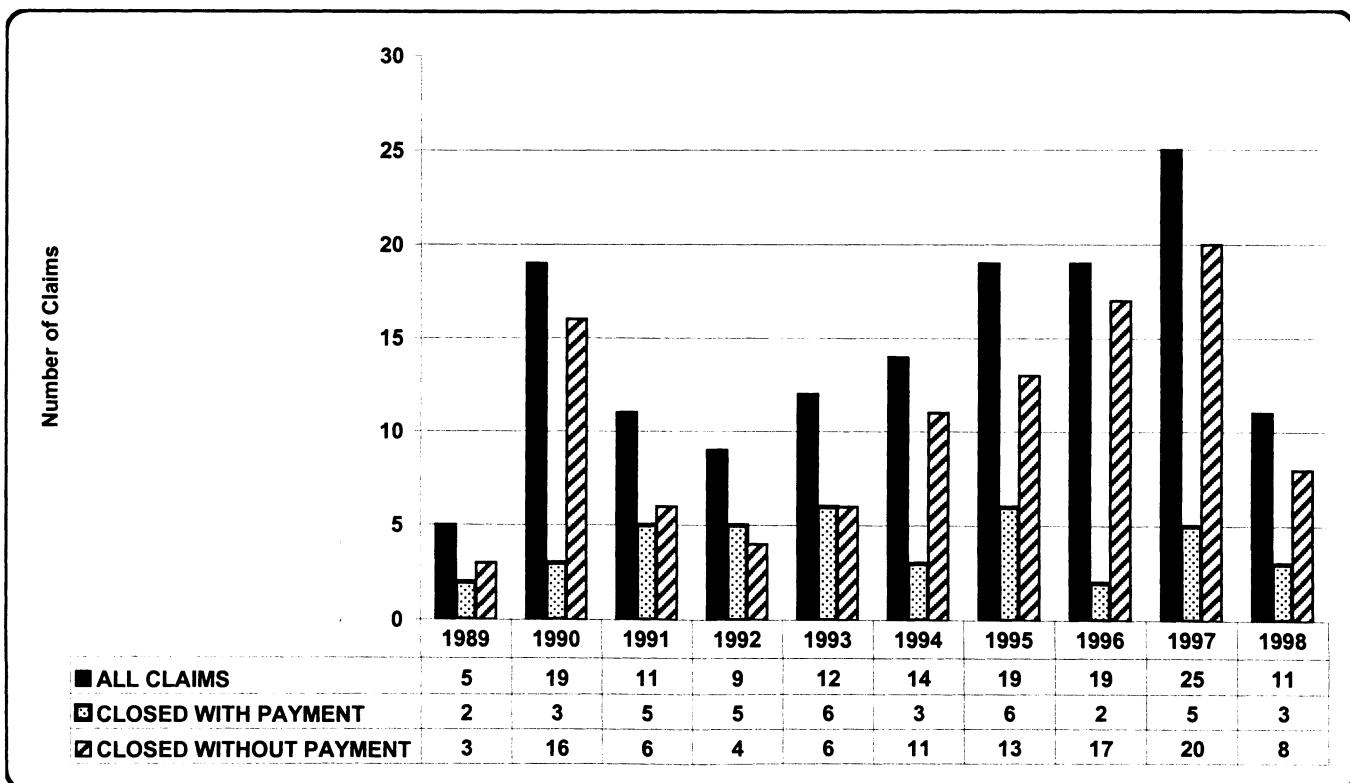


4 TO 10 YEARS

Average Paid Indemnity & Average Loss Expense

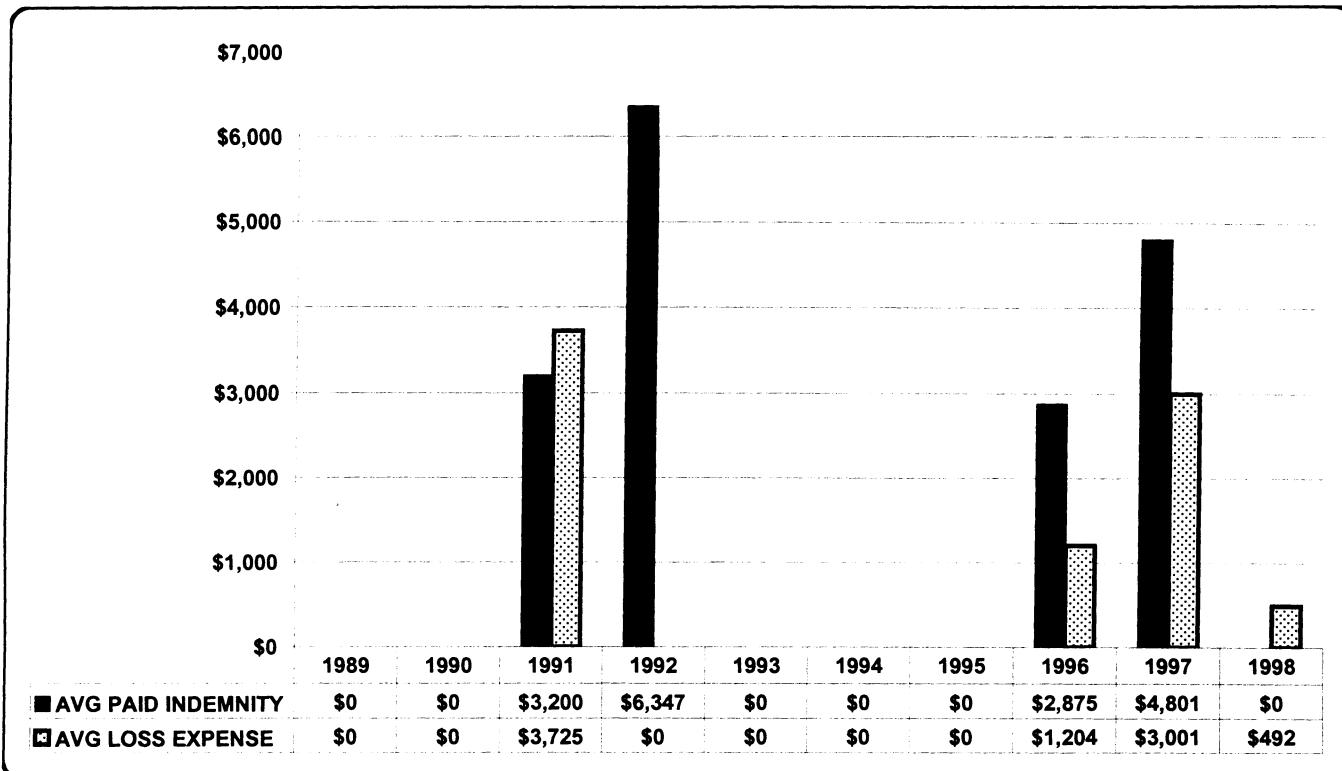


Claim Count

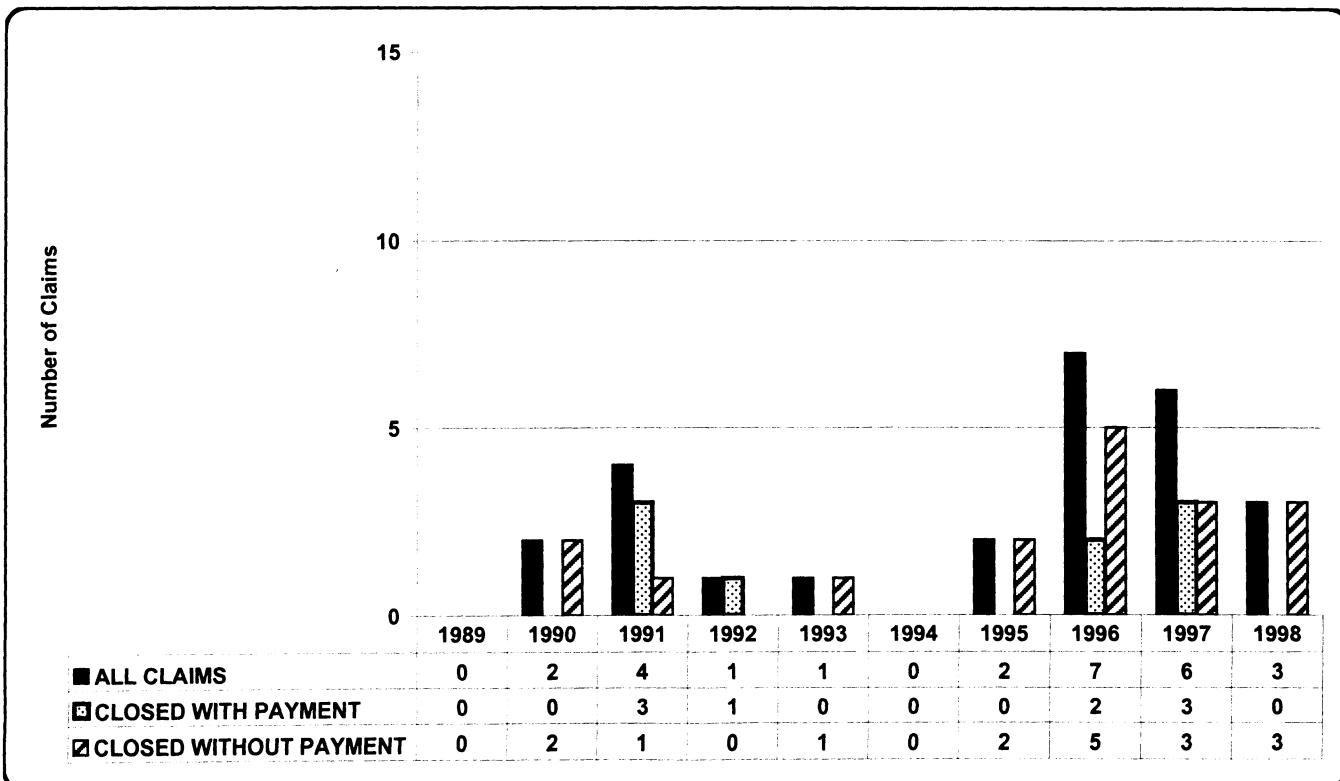


UNDER 4 YEARS

Average Paid Indemnity & Average Loss Expense



Claim Count



**TEN YEAR SUMMARY
&
1998 SUMMARY
BY
INSURED/CLAIMANT RELATIONSHIP**

REAL ESTATE MALPRACTICE INSURANCE
INDEMNITY ANALYSIS

FOR YEARS 1989 – 1998

INSURED'S RELATIONSHIP TO THE CLAIMANT	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
NON-CONTRACTUAL RELATIONSHIP WITH CLAIMANT	291	93	54.07%	\$8,755	\$814,179	59.27%	\$3,177
NOT SPECIFIED	130	49	28.49%	\$4,951	\$242,577	17.66%	\$1,876
CONTRACTUAL RELATIONSHIP WITH CLAIMANT	107	30	17.44%	\$10,565	\$316,940	23.07%	\$3,783
TOTAL	528	172	100.00%	\$7,987	\$1,373,696	100.00%	\$2,979

REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

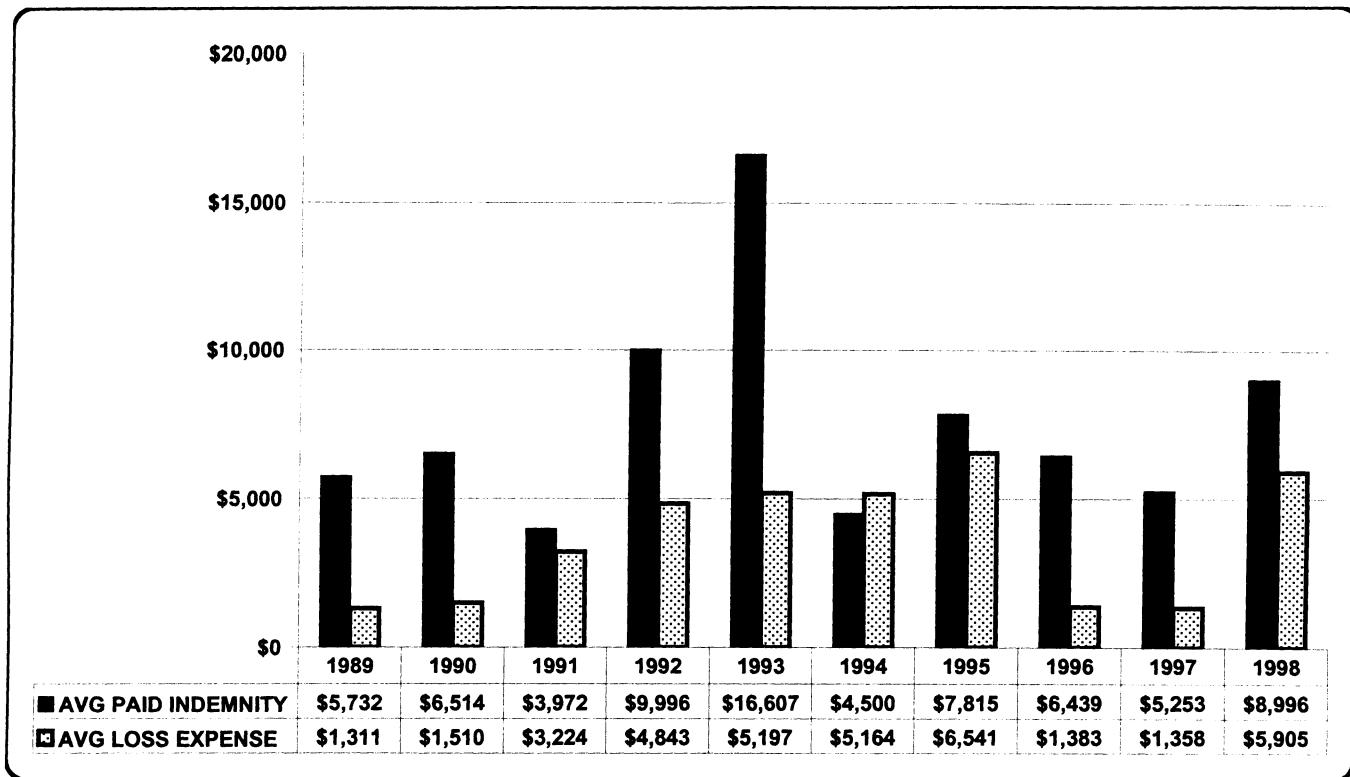
CLAIMS CLOSED IN 1998

INSURED'S RELATIONSHIP TO THE CLAIMANT	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
NON-CONTRACTUAL RELATIONSHIP WITH CLAIMANT	25	12	75.00%	\$8,996	\$107,956	75.30%	\$5,905
CONTRACTUAL RELATIONSHIP WITH CLAIMANT	14	4	25.00%	\$8,852	\$35,406	24.70%	\$2,077
TOTAL	39	16	100.00%	\$8,960	\$143,362	100.00%	\$4,531

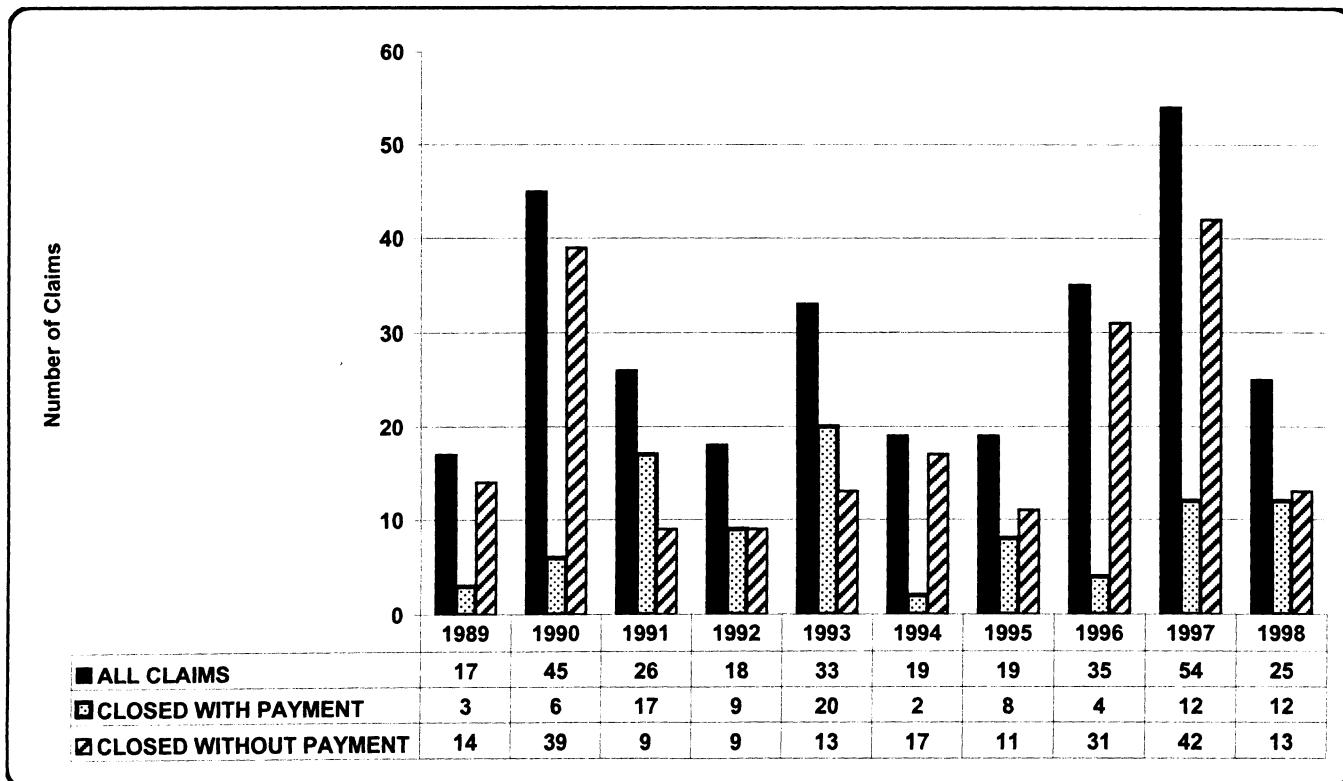
**INSURED/CLAIMANT RELATIONSHIP
TRENDS
OF
1998**

NON-CONTRACTUAL RELATIONSHIP WITH CLAIMANT

Average Paid Indemnity & Average Loss Expense

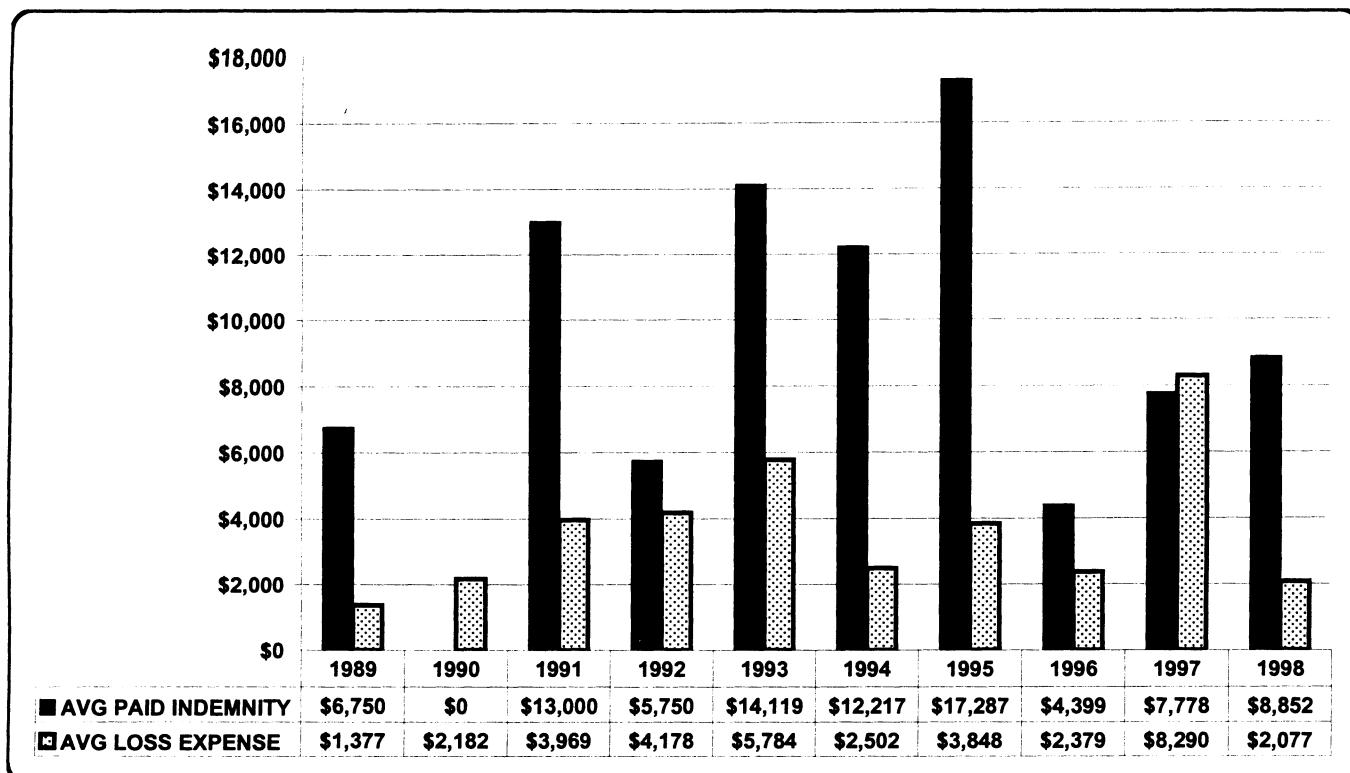


Claim Count

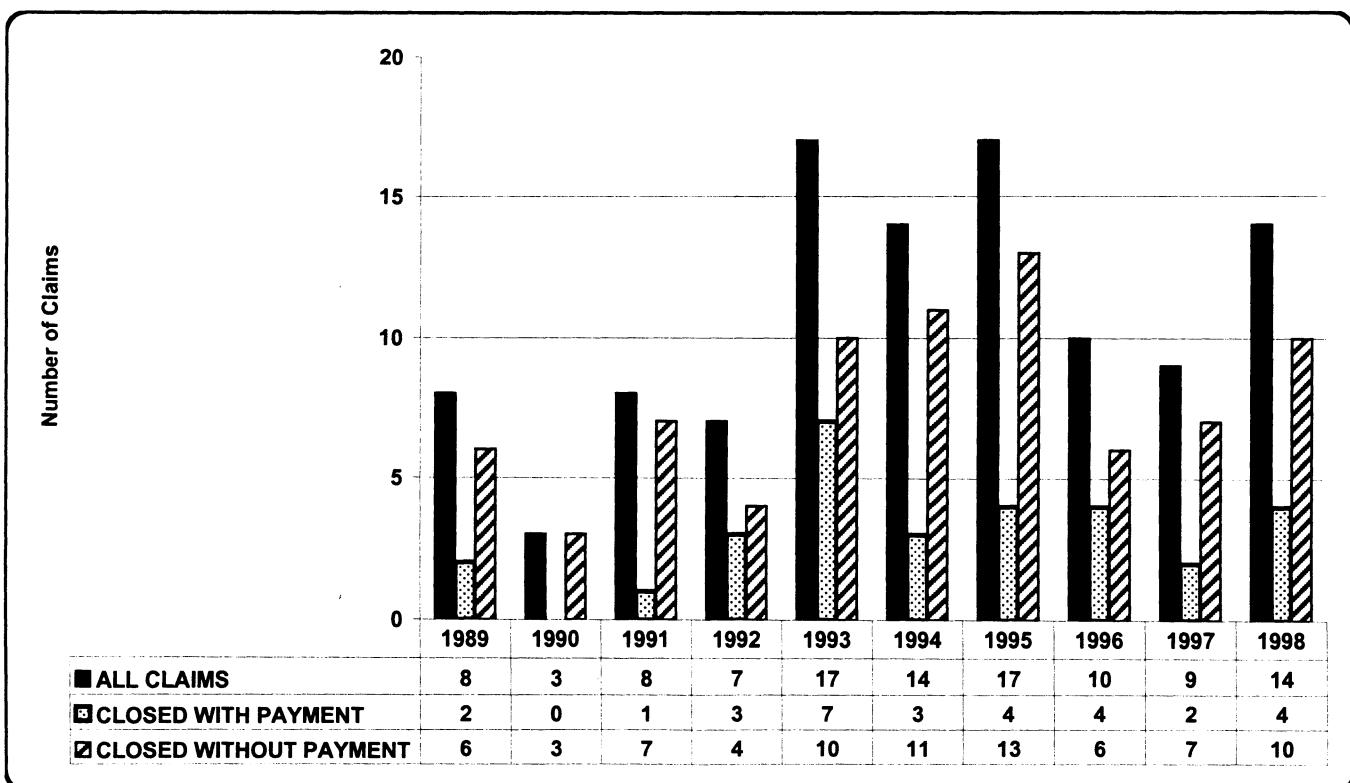


CONTRACTUAL RELATIONSHIP WITH CLAIMANT

Average Paid Indemnity & Average Loss Expense



Claim Count



**PREMIUM
AND
LOSS DATA**

PAGE 15 SUPPLEMENT REAL ESTATE MALPRACTICE EXPERIENCE
WITH MARKET SHARE

1998 EXPERIENCE

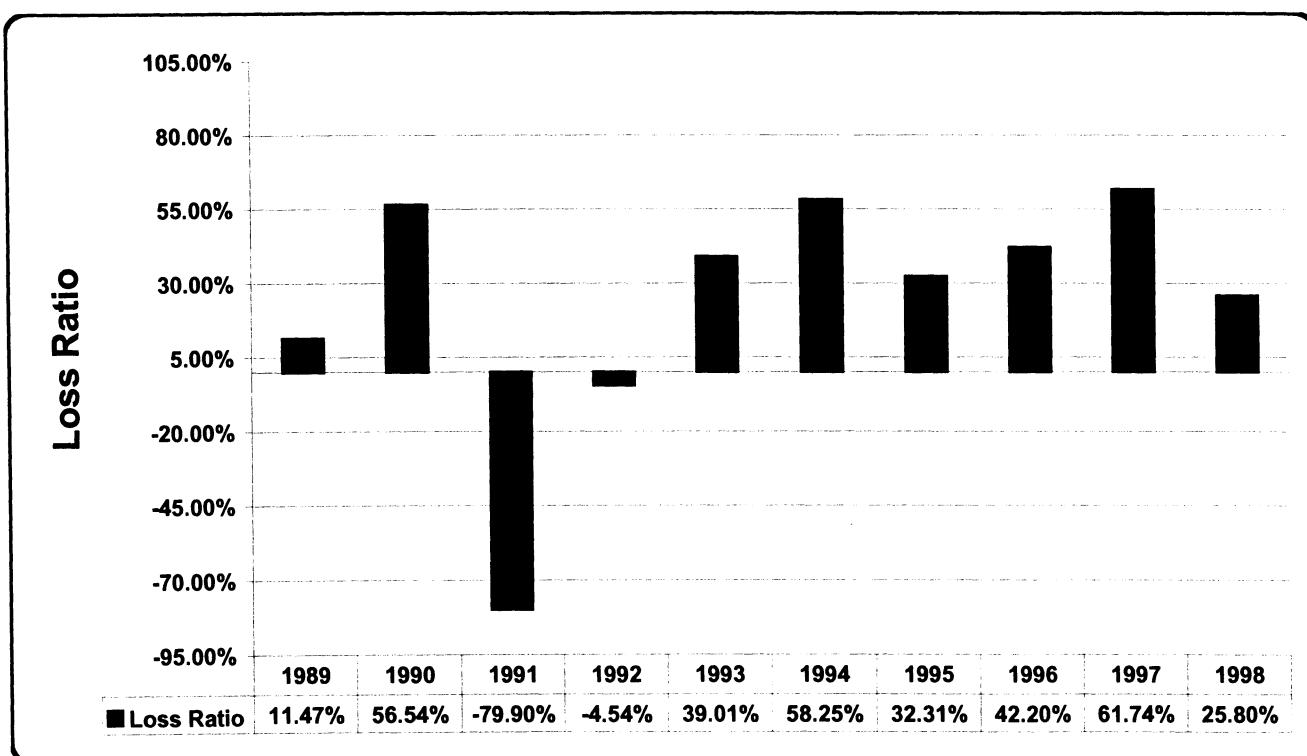
NAIC Company Code	Company Name	Market Share	Written Premium	Earned Premium	Incurred Losses	Loss Ratio
25887	UNITED STATES FIDELITY & GUARANTY CO	54.81%	\$854,922	\$1,002,361	\$397,808	39.69%
20443	CONTINENTAL CASUALTY COMPANY	30.73%	\$479,352	\$495,537	-\$37,165	-7.50%
39845	EMPLOYERS REINSURANCE CORPORATION	5.05%	\$78,709	\$79,165	\$10,273	12.98%
24767	ST PAUL FIRE & MARINE INSURANCE CO	3.34%	\$52,134	\$47,458	\$6,376	13.44%
21849	AMERICAN AUTOMOBILE INSURANCE CO	2.39%	\$37,212	\$7,919	\$0	0.00%
25658	TRAVELERS INDEMNITY COMPANY	2.26%	\$35,235	\$35,706	\$9,426	26.40%
25895	UNITED STATES LIABILITY INSURANCE CO	1.42%	\$22,221	\$20,521	\$8,866	43.20%
20494	TRANSPORTATION INSURANCE COMPANY	0.00%	\$30	\$109	\$0	0.00%
21083	INTERNATIONAL INSURANCE COMPANY	0.00%	\$0	\$0	-\$917	N/A
23132	BANKERS MULTIPLE LINE INSURANCE CO	0.00%	\$0	\$0	\$41,000	N/A
TOTAL		100.00%	\$1,559,815	\$1,688,776	\$435,667	25.80%

PAGE 15 SUPPLEMENT REAL ESTATE MALPRACTICE EXPERIENCE
 TEN YEAR SUMMARY

Year	Written Premium	Earned Premium	Incurred Losses	Loss Ratio
1989	\$800,245	\$805,834	\$92,404	11.47%
1990	\$671,136	\$745,357	\$421,437	56.54%
1991	\$479,109	\$463,941	-\$370,701	-79.90%
1992	\$215,703	\$193,117	\$8,765	-4.54%
1993	\$332,664	\$316,333	\$123,417	39.01%
1994	\$721,963	\$591,594	\$344,609	58.25%
1995	\$816,737	\$769,978	\$248,795	32.31%
1996	\$657,869	\$686,562	\$289,707	42.20%
1997	\$619,604	\$651,641	\$402,297	61.74%
1998	\$1,559,815	\$1,688,776	\$435,667	25.80%
10-Year Total	\$6,874,845	\$6,913,133	\$1,978,867	28.62%

PAGE 15 SUPPLEMENT
REAL ESTATE MALPRACTICE EXPERIENCE

TEN YEAR LOSS RATIO SUMMARY



DEFINITION OF TERMS

Market Share: The dollar amount of direct premium written by an insurer divided by the total amount of direct premiums written industry-wide for the particular line of business being analyzed, expressed as a percentage.

Written Premium: Amount charged when a policyholder contracts for insurance coverage before reinsurance has been ceded and/or assumed.

Earned Premium: The part of premium attributable to the coverage already provided in a given period before reinsurance has been ceded and/or assumed.

Incurred Losses: The sum of direct losses paid plus an estimate at the close of the year of the amounts to be paid in the future for all claims arising from the current and all prior years, minus the corresponding estimate made at the close of business for the preceding year. Incurred losses reported include estimated amounts unpaid for incurred-but-not-reported (IBNR) claims.

Loss Ratio: The dollar amount of direct losses incurred divided by the dollar amount of premiums earned for the particular line of business being analyzed, expressed as a percentage. This is an accounting representation of the portion of each premium dollar which is needed to honor a company's promise to pay claims.

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